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SOVIET UNION SEEKS CLOSER ECONOMIC TIES WITH OPEC

OW171937 Beijing XINHUA in English 1749 GMT 17 Jul 86

[Text] Kuwait, July 17 (XINHUA) -- A senior Soviet official said here today that the Soviet Union is ready to open its markets for industrial products of the OPEC countries to ease the burden of plummeting oil prices on their economies.

In an interview with Kuwait News Agency (KUNA), Konstantin Katushev, member of the Central Committee of the Soviet Communist Party and member of the Supreme Soviet, said his country would accept products of the OPEC members if these states cannot pay foreign currency cash in the trade exchange with the Soviet Union.

Katushev, who is also chairman of Soviet State Commission for Foreign Economic Relations, accused unnamed countries outside OPEC of creating "an artificial oil crisis" which adversely affected the world economy and swelled problems of debtor nations.

He said that OPEC and non-OPEC countries are now negotiating a price structure ranging between 19 and 24 dollars per barrel.

Speaking of his meeting with the Kuwait defense minister, the Soviet official said that "we have received a better understanding of Kuwait's military needs."

The Soviet official said he agreed with Kuwaiti officials on the broad lines for future economic cooperation and on establishing joint ventures in Kuwait and the Soviet Union, but he did not elaborate.

However, he said Kuwait and the Soviet Union will carry out joint investment schemes at other countries including the Arab states.

The Soviet economic delegation arrived here on Monday for an official visit aimed at boosting joint ventures in the fields of economy, oil and investment.

Earlier, Kuwait's Finance Minister Jast al-Khurafi has announced that Kuwait will direct its investments to the Soviet Union, China and some developing nations in addition to the Western markets.

OVERSEAS JOINT VENTURE ENTERPRISES EXPANDING

HK151314 Beijing JINGJI CANKAO in Chinese 1 Jul 86 p 3

[Roundup by JINGJI CANKAO reporter: "Make Efforts To Expand Economic Cooperation With Foreign Countries -- China's Overseas Joint Venture Enterprises Are Developing"]

[Text] Since 1980, China has made great efforts to expand economic cooperation with foreign countries, actively made investments in foreign countries, and built joint venture enterprises in foreign countries. China has now already run 144 joint venture enterprises or wholly owned enterprises in 34 countries and in the Hong Kong and Macao regions, involving a total investment of U.S. \$239 million. [paragraph continues]

These enterprises are mainly involved in the development of resources, product processing, navigation services, finance and insurance, consultancy services, and the running of construction companies and Chinese restaurants and so on. These businesses are mainly spread over the United States, Japan, Canada, Western Europe, northern Europe, Latin America, the Middle East, Africa, South Asian countries, the Hong Kong and Macao regions, and so on. Besides these, more than 300 joint venture projects are now under discussion; these will be spread mainly over Asia, Africa, Latin America, and some other regions.

Selected Overseas Investments

According to China's actual situation, China's investment in establishing joint venture enterprises in foreign countries should mainly concentrate on the following aspects:

1. To jointly develop such natural resources as forestry, fishery, mining industry, and so on so that China will not only be able to help develop the economy in the foreign countries but also obtain timber, paper pulp, aquatic products, mineral products, and so on which are badly needed by China. Although sometimes, the resources to be developed are not needed by China, China should still carry out cooperation with the countries concerned to develop their resources so long as the resources are needed by the countries concerned and are capable of finding a good sale on the world market.
2. To develop enterprises specialized in the production, assembly, and repair of all types of mechanical products. The equipment, technology, and component parts of the products should be provided by China and the products should be processed and assembled abroad and then sold on the world market.
3. To establish jointly managed contracting companies through joint investment and management so as to contract projects and expand cooperation in labor services. At present, China has 54 companies specialized in contracting international projects. These companies have a strong actual strength and rich experiences in constructing projects at home and abroad. They are capable of organizing the design, construction, and contracting of all types of industrial and civil construction projects; special projects; municipal works; the survey, development, and well-digging of the mines, highways, bridges, railroads, harbors, hydroelectric power stations, thermal power stations, and some other projects.
4. To use local resources and conditions to establish comprehensive enterprises capable of carrying out both industrial and agricultural production that is greatly needed by the relevant countries and whose products should first of all satisfy the domestic needs of the relevant countries.
5. To jointly run Chinese restaurants. Chinese cuisine has a long history and is well known in the world. In recent years, many countries have proposed to jointly run Chinese restaurants with our country.
6. To establish and run jointly managed enterprises that are capable of combining industry with trade and combining technology with trade. The Sino-foreign joint management of these enterprises will help China import advanced foreign technology, equipment, and component parts so as to serve China's domestic production, scientific research, and the technological transformation of China's existing enterprises.

When investing in running joint venture projects abroad, China should concentrate its efforts on medium-and small-sized enterprises and try its best to establish and run enterprises that require less investment but can produce quick economic results.

The Encouraging Results Produced by the Joint Venture Enterprises

Over the past few years, China has started and run 13 projects specialized in developing such resources as forestry, fishery, and minerals in foreign countries. The plywood factory built in Brazil by the Ministry of Forestry of China now produces 10,000 cubic meters of plywood annually and its production situation has been gratifying since October 1984 when it formally began operation. The Ministry of Forestry of China has also successfully carried out cooperation with the United States, Brazil, and some other countries in developing forest reserves. In the first half of 1985 only, over 500,000 cubic meters of log were transported to China from these countries.

In order to protect China's offshore resources and develop the deep-sea fishing industry, China has signed fishing cooperation contracts with Senegal, Guinea-Bissau, the United States, Sri Lanka, and three other countries. The deep-sea fishing fleet organized by China for the first time has begun operating in the sea areas of these countries. In October 1985, for the first time, Beijing residents tasted fresh fish shipped from West African sea areas. It is predicted that in 1 or 2 years, there will be a significant increase in the catch of deep-sea aquatic products.

China is now actively cooperating with Australia, Canada, and some other countries in opening up iron, bronze, diamond, and gold mines, some of which will go into production in 1986.

Besides, China has also jointly invested in and established 19 international construction companies with businessmen from Nigeria, Cameroon, Rwanda, Thailand, the Yemen Arab Republic, and the Hong Kong and Macao regions. These construction companies have been cooperating with other foreign construction companies in contracting overseas projects. Over the past few years, these companies have altogether contracted construction projects involving several hundred million U.S. dollars and have achieved marked successes. In addition, a number of Chinese restaurants either wholly invested by China or jointly invested by China and foreign businessmen is now spread over more than 10 foreign countries. Over 100 cooks who come from Sichuan, Guangdong, Beijing, Shanghai, Liaoning, and other provinces and cities to work in these overseas Chinese restaurants have earned nearly U.S. \$3 million of foreign exchange for China with their special Chinese gastronomic skills.

N.Y. TIMES REPORTER DETAINED IN BEIJING

HK180104 Hong Kong AFP in English 0037 GMT 18 Jul 86

[Text] Beijing, Jul 18 (AFP) -- A U.S. newspaper reporter was detained here early Friday morning after he attempted to leave for Hong Kong following a visit to an area of China off limits to foreigners, a friend of the reporter's said.

John Burns, Beijing correspondent for THE NEW YORK TIMES, was being held in detention centre here where he was expected to remain for "a week or ten days, but was hoping it will be less," said a friend of Mr. Burns who answered the phone at his home.

Mr. Burns had attempted to board a plane to Hong Kong on Thursday but was prevented by Chinese officials and subsequently detained, said the friend, who declined to identify herself.

The detention was in connection with a trip to a northwestern China that Mr. Burns made recently with a U.S. friend on a Chinese motorcycle with a sidecar, the friend said. The pair had intended to travel from Beijing, through Mongolia in the northwest, to Sichuan in the southwest but were stopped by Chinese officials when they attempted to pass through a closed area, sources close to Mr. Burns said.

Mr. Burns has returned to Beijing about 10 days ago and was not known to be in trouble with the Chinese authorities over the incident.

A spokesman for the U.S. Embassy said that they had yet to receive any information about Mr. Burn's situation but noted that as he was a British citizen the matter might be handled by the British embassy. British officials could not immediately be reached for comment.

Official Declines Comment

HK180844 Hong Kong AFP in English 0836 GMT 18 Jul 86

[By Lawrence Macdonald]

[Text] Beijing, July 18 (AFP) -- The United States on Friday expressed strong concern over the detention of NEW YORK TIMES correspondent John Burns, who was reportedly being investigated on possible spy charges here.

A spokesman for the Beijing Public Security Bureau refused to discuss details of the case against Mr. Burns, who was stopped at Beijing airport early Thursday and taken to a detention center after 15 hours interrogation. "The case is currently under investigation, so there is nothing to tell," the spokesman said in China's first public comment on the detention. He said there was not likely to be any new information for at least a day.

(THE NEW YORK TIMES reported that Chinese officials in Beijing had told a U.S. diplomat that Mr. Burns, 41, was being investigated on suspicion of "entering an area forbidden to foreigners, gathering intelligence information and espionage.)

A U.S. Embassy spokesman said "we have expressed our very strong concern to the Chinese authorities," and were seeking further information. U.S. officials declined to comment on THE NEW YORK TIMES report.

The spokesman for the Beijing Public Security Bureau declined to say what Mr. Burns was being investigated for or how long he might be held. He advised reporters to call back "in a day or two."

The incident was the most serious between Chinese authorities and a foreign correspondent since (?1980) when Tiziano Terzani, an Italian journalist working for the German magazine DER SPIEGEL, was expelled for allegedly illegally exporting Chinese cultural relics.

The last American known to have been expelled from China for espionage was Lisa Wichser, an American teacher who was held incommunicado by Chinese police for three days of a week-long detention in late May and early June 1982. Miss Wichser, who was at the time engaged to a Chinese student, was released and expelled after signing a confession, but denied after her return to the United States that she ever had been a spy.

Mr. Burns, a British citizen, was detained as he attempted to leave with his wife and two children for a vacation in Hong Kong and Canada, family friends said. His wife, Jane Scott-Long, remained with him throughout a 15-hour interrogation at the airport, one friend said.

(THE NEW YORK TIMES said Mr. Burns and his wife were then brought back to their apartment in Beijing, where 10 security men with videotape cameras conducted a systematic search.)

It was then that Mr. Burns managed to send a cable to his office in New York and to talk briefly with an editor on the telephone.

Mr. Burns was held in the Pao Zhu detention centre in northern Beijing where he was expected to remain for "a week or 10 days, but we hope less," said the friend, who declined to give her name. The journalist's wife was not available for comment.

Embassy officials said the United States was concerned about the incident because Mr. Burns represented a U.S. newspaper. They said they were in contact with the British Embassy, which has also expressed its concern to Chinese authorities.

A friend at Mr. Burns' residence said the detention was in connection with a trip through the countryside he made recently with a visiting U.S. professor on a Chinese motorcycle with a sidecar. The pair had intended to travel from Beijing, through Mongolia in the northwest, to Sichuan in the southwest. But they were stopped by local officials as they passed through a closed area in northwestern Shaanxi Province, sources close to Mr. Burns said.

The pair, who were travelling with a Chinese companion, were instructed to write self-criticisms which they were told would not be used against them, the sources said.

Mr. Burns had frequently complained to friends that foreign backpackers travelling on their own through China had seen much more of the country than Beijing-based correspondents.

IMPACT OF TRADE PROTECTION BILL ON SINO-U.S. TRADE

HK180457 Beijing GUOJI SHANGBAO in Chinese 10 Jul 86 p 3

[Article by Zhang Yuqing [1728 3768 0615]: "Impact of the New U.S. Trade Protection Bill on Sino-U.S. Trade"]

[Text] On 22 May, the U.S. House of Representatives approved a new trade protection bill, requiring the U.S. Government to negotiate with its major trading partners who have trade surpluses in their trade with the United States and to retaliate against the countries who have violated U.S. trade regulations and implement an import quota system against them.

This bill, which is entitled the "reform of trade and international economic policies bill, 1986," extensively revises and supplements a series of existing U.S. administrative trade laws and regulations and is filled with trade protectionism. In the main, this bill is not directed against China, but once it formally becomes law, it will certainly seriously affect Sino-U.S. trade.

First, there will be even more stringent restrictions on the export of Chinese products to the United States, including the excessive requirements of the U.S. "antidumping act," "antisubsidization act," "Article 201 on Immunity," and "Article 406 on countries of nonmarket economy." For the new bill relaxes the conditions for prosecution in all these acts and articles, enlarges the scope of prosecution, and adds punishment clauses to them. This can roughly be analyzed as follows:

The scope of interested people has been enlarged. For example, producers of primary agricultural products can be interested parties affected by the industry that processes agricultural products and are empowered to invoke the "antidumping act" to sue against dumping of imported processed agricultural products.

Cumulative calculation means that the effect of the dumping of products (no matter how large the volume of the import of the products) by two or more countries can be taken into consideration in totality. At the same time the effect of the government or nongovernment subsidies on the sales of products of the same kind should be taken into consideration together with the above cumulative effect of dumping. Certainly, this will make it more possible for people to regard the import of products as being "harmful" to U.S. industry. It introduces the concept of "export goals" in applying the legislation. In other words, on the question of whether any harm has been brought to U.S. industry, it is necessary to consider whether the import of the commodities is directed against a certain sector of U.S. industry. It also introduces the concept of "indirect dumping."

The question of whether that kind of products are being dumped in other GATT members. If the answer is in the affirmative, it means that the products constitute a threat to U.S. industry and an antidumping tax should be imposed on them.

An article on "inspecting later products" has been introduced. In other words, if an antidumping tax above 15 percent was imposed on a certain raw material or component in the past 5 years, the U.S. Department of Commerce can inspect the exports to the United States of finished products made from this raw material or component. If it finds that the volume of import of these finished goods increases by more than 5 percent each quarter, the U.S. Government will consider imposing a higher tariff on them.

U.S. companies are allowed to sue on their own for damages from the dumping of foreign commodities. As a result, in addition to paying higher tariffs on the so-called dumped commodities, foreign exporters have to pay huge amounts of damages.

In addition, last year, the U.S. International Trade Court decided that the antisubsidization act applied to countries of nonmarket economy. If the U.S. Federal Appeals Court makes the same decision, then the "antisubsidization act" will constitute a serious threat to China's exports to the United States, particularly because the new trade protection bill revises and adds many more stringent clauses to the "antisubsidization act."

Finally, according to the bill, procedures will be simplified for the United States to enlarge the scope of commodities that it exports to China.

In Sino-U.S. trade, there has always been a trade deficit unfavorable to China, of which the accumulated total amounts to over \$16 billion. The new U.S. Trade Protection Bill will only further aggravate this and thus seriously hinder the normal development of trade between China and the United States.

U.S., USSR TO DISCUSS LIMITING NUCLEAR TESTS

OW170638 Beijing XINHUA in English 0611 GMT 17 Jul 86

[Text] Washington, July 16 (XINHUA) -- The White House announced today the United States and the Soviet Union have agreed to hold an expert-level meeting to discuss issues on limiting nuclear tests but not on nuclear test ban.

Meanwhile at the State Department today, spokesman Bernard Kalb ruled out the possibility that the United States will join the unilateral Soviet moratorium on nuclear testing.

The White House announcement came following a statement made by Soviet Foreign Minister Edward Shevardnadze in London today that Washington and Moscow have agreed to resume talks on a comprehensive nuclear test ban treaty.

White House spokesman Edward Djerejian said that the United States has long sought a meeting with the Soviets "to present our concerns about the verification provisions" of the two existing test limitation treaties signed in the 1970's -- the threshold test ban treaty and the peaceful explosions treaty. He added that the two sides have agreed to begin the talks "without preconditions."

However, he said, "We are willing to listen to views, including Soviet views, on comprehensive test ban or any other issues related to nuclear testing. However, he stressed, a comprehensive test ban is "a long-term objective" that can be achieved only when the United States "does not need to depend on nuclear deterrence to ensure international security and stability."

At the State Department, the spokesman said that the extension of the Soviet moratorium on testing is an issue for the Soviet Union to decide. As far as the United States is concerned, "a nuclear testing moratorium is not in our security interests nor in that of our friends and allies," he declared.

RENMIN RIBAO ON TIAN JIYUN'S TRIP TO DPRK

HK171207 Beijing RENMIN RIBAO in Chinese 16 Jul 86 p 7

["Newsletter From Korea" by RENMIN RIBAO reporter Xu Baokang and XINHUA reporter Gao Haorong: "China and Korea Are Dear to Each Other as Brothers, and Their Friendship Is Cemented With Blood"]

[Text] A silver eagle carrying the Chinese party and government delegation left Pyongyang's airport and thrust into the skies. At the airport, tens of thousands of the masses of Pyongyang city were still waving national flags of both China and Korea and bouquets in their hands to bid farewell to the Chinese party and government delegation.

The Chinese party and government delegation headed by Tian Jiyun, member of the CPC Central Committee Political Bureau, member of the CPC Committee Secretariat, and vice premier of the State Council, came to Pyongyang and spent 5 significant days in the city to take part in the activities marking the 25th anniversary of the signing of the China-Korean Treaty of Friendship, Cooperation and Mutual Assistance. Once the Chinese comrades set foot on the beautiful land of Korea, they were warmly welcomed and cordially treated by the Korean comrades. They were immersed in an atmosphere of friendship. Some 6,000 people in Pyongyang held a rally to make the occasion, and some 50,000 people in Nampo participated in a rally to welcome the Chinese delegation. The Korean artists performed songs and dances permeated with friendly feelings, and youngsters in Pyongyang performed a large group callisthenics exercise to sing the praises of Sino-Korean friendship and the achievements of China in the four modernizations program. The Chinese comrades were deeply touched by this moving scene. The Korean comrades maintained that the visit of the Chinese party and government delegation was an encouragement to the Korean people, and that the visit demonstrated the friendship between the two countries to the people of the world. When talking about this, Comrade Tian Jiyun said with deep feeling: All this has made the Chinese comrades deeply feel once again that the Korean party and government value the friendship between the two countries above everything else, and that the Korean people have cherished a deep love for the Chinese people. All this has made the Chinese comrades further believe that the great friendship between the Chinese and Korean people, which is cemented with blood, has been deeply rooted in the hearts of the two peoples and that no force on earth can destroy it.

On this happy occasion, the Chinese and Korean comrades reviewed together the course of struggle in the 25 years since the signing of the treaty. They were unanimously satisfied with the development of friendly and cooperative relations between the two countries in the fields of politics, economy, culture, and so on. All these are truly a fact. Over the past 25 years, in accordance with the spirit of the treaty, the Chinese and Korean peoples have mutually cooperated, aided and learned from each other. This has become a good practice. During the short stay of the Chinese party and government delegation in Korea, the Chinese comrades learned much precious experience from Korea. On 11 July, during the Chinese delegation's visit to the Pyongyang People's Great Study Hall, Vice Premier Tian Jiyun had a careful look of the facilities of the hall and kept raising questions about the management of the hall. He told Im In-ok, deputy director of the People's Great Study Hall, about his impression of the hall: The people's Great Study Hall is not only a library but a complex educational facility which is of great importance to the enhancement of the cultural and intellectual standard of the whole society and which can foster a large number of qualified personnel. We should learn from you. [paragraph continues]

At Nampo Water Gate, the Chinese comrades toured with great interest the 8-kilometer long dike and the huge ship lock that lie across the wide river and watched a ship of 10,000 tonnage passing through the ship lock after the 1,000-ton revolving bridge was opened. They highly appreciated the Korean people's wisdom and ability. After writing some remarks in the visitors' book, Vice Premier Tian Jiyun said: This is a great project of vital and lasting importance which will bring tremendous benefits to the Korean people. Kang Kon Military Officers' Complex Training School is a well-known military school in Korea. After watching a military drill performed by the students of this school, Vice Premier Tian Jiyun praised the school for its "strict requirements, scientific training, and efficient operation," saying that the Chinese Army will learn from its Korean counterpart.

What has moved the Chinese Delegation is that the Korean people have never forgotten the Chinese people's support and cooperation. When briefing the Chinese guests on the progress made by the People's Great Study Hall in exchange of books with foreign counterparts, Im In-ok, deputy director of the hall, expressed his special thanks to General Secretary Hu Yaobang, who presented 15 books to the Great Study Hall when he visited Korea in 1982. On 12 July President Kim Il-song met with the Chinese party and government delegation and the CPC goodwill visiting group headed by Wang Fang, secretary of the Zhejiang Provincial CPC committee. He asked Xu Huizi, deputy chief of the General Staff, who was present at the meeting: "How many times have you been to Korea?" Xu Huizi told the president that this was his second visit to the country; he joined the army and went to Korea to fight against the U.S. invading forces when he was 20 years old; then he returned home in 1953. On hearing this, President Kim said: "Thank you." At an evening banquet, President Kim told Wang Fang that the bamboo saplings he had brought home from Hangzhou during his visit to the city in 1958 were transplanted in Kaesong and its vicinity, and all were growing well. He said: "Whenever I see that luxuriant bamboo, I immediately think of Hangzhou."

The Chinese and Korean peoples have always closely united with each other, sympathized with each other, supported each other, and made common efforts to safeguard peace in Asia and the world. This relationship between the two peoples was fully displayed during the Chinese party and government delegation's current visit to Korea. At report meetings, mass rally, and commemorative banquets, speeches delivered by Vice Premier Tian Jiyun on behalf of the CPC, the Chinese Government, and the Chinese people repeatedly aroused warm applause among the Korean comrades present at the gatherings, whenever the vice premier praised the Korean people for their marvelous achievements made in their socialist revolution and construction and whenever he reiterated the Chinese people's firm support for all the fair and reasonable proposals put forth by Korea with a view to relaxing the tense situation on the Korean peninsula, to striving for peaceful reunification of the motherland, and to safeguarding peace in Asia and the world. We have had a deep impression of their feelings. The applause fully showed the Korean people's keen desire for a peaceful environment in which they can build their country and live, as well as their firm faith in the realization of the reunification of their motherland based on the principle of peace and great national unity with the initiative kept in their own hands. As the Korean people had made great national sacrifice in fighting against external aggression and defending their peaceful home, they profoundly understood the value of hard-won peace in light of their personal experience and their practice in the booming socialist construction. And that is the very reason why they especially cherish peace. [paragraph continues.]

The Korean leaders have not only vigorously supported the Chinese people in their great struggle for the reunification of their motherland but also highly appreciated the promising development and prosperity currently emerging on the vast territory of China, acclaiming all the changes which have proved that the CPC's line is correct and in keeping with the actual circumstances of the Chinese revolution as well as the Chinese people's interests and wish.

President Kim Il-song also appreciates and supports the efforts that China is currently undertaking. He cheerfully told Vice Premier Tian Jiyun, who was visiting Korea for the first time: Your country is undergoing a stage in which the new generation is replacing the old generation, and the young generation is now taking up leading posts. After Tian Jiyun briefed President Kim on China's reform and the progress of production in the country this year, President Kim repeatedly remarked: We have always supported what you did. The CPC has rich experience and has also taken some risks. It always handles things with a sure hand. So long as you have done a good job, we will have a strong rear base. We are really glad to see this.

"China and Korea are dear to each other as brothers; their friendship is cemented with blood." The Chinese party and government's delegation's visit to Korea has further consolidated and enhanced the friendship, cooperation, and unity between the Chinese and Korean peoples. We Chinese and Korean comrades wish that this friendship and cooperation will continue to develop in depth under the care of the leaders of the two countries and with the common efforts of the two peoples, and that the Sino-Korean friendship will blossom more splendidly.

DPRK CONDEMNS U.S. TRIPARTITE TALKS REFUSAL

OW180639 Beijing XINHUA in English 0546 GMT 18 Jul 86

[Text] United Nations, July 17 (XINHUA) -- A diplomat of the Democratic People's Republic of Korea (DPRK) today criticized the United States and South Korea for refusing a DPRK proposal for Tripartite detente talks among the military authorities.

Pak Il-yon, the permanent observer of DPRK to the U.N., told a press conference this afternoon that the U.S. forces and the South Korean side had refused under "unreasonable pretext" to receive a series of letters containing new proposals for peace talks sent by the Supreme Command of the Korean People's Army (KPA) to the Military Armistice Commission at the truce village Panmunjom.

He warned that "the situation in our country is becoming more acute and the deadlocked multi-channel North-South dialogues are in danger of breakup" owing to the rejection of the peace proposal by the U.S. and South Korean authorities and their continued policy of confrontation. "The United States and the South Korean side revealed themselves that their cry for detente, peace and dialogue is false and sham and they, in actuality, pursue confrontation and war only," Pak said.

He said the DPRK side "had no other choice but to send over radio the letters" addressed to the commander of the U.S. Eighth Army and concurrently commander-in-chief of the U.N. Forces in South Korea, and to the South Korean defense minister. "By opposing our proposal for talks of military authorities to take practical measures for detente and peace, they made it plain that the 'threat of southward invasion' over which they cry every day does not exist in fact and it is a fiction to justify the U.S. troops' occupation of South Korea and redress the internal crisis of South Korea," Pak said.

Meanwhile, DPRK's KOREAN CENTRAL NEWS AGENCY reported Wednesday that DPRK rejected a South Korean proposal to resume their suspended Red Cross talks, which aimed to reunite millions of Korean families separated when the Korean peninsula was divided at the end of World War II in 1945 and by the 1950-53 Korean war.

The talks were broken off in January as a result of a joint U.S.-South Korean military exercise in February. DPRK charged that the maneuvers, "Team Spirit '86", which ended in April, were provocative and offensive.

DPRK's Red Cross delegation rejected the proposal Tuesday saying, "military authorities concerned for the heightening of tensions should meet, before any other talks, and immediately take measures to ease the tensions."

NODONG SINMUN CONDEMNS ROK MILITARY EXERCISES

OW161125 Beijing XINHUA in English 0947 GMT 16 Jul 86

[Text] Pyongyang, July 16 (XINHUA) -- The Pyongyang press today strongly condemned the South Korean military exercise which started July 14. The six-day annual exercises -- code named "Ulchi 86" -- continue to create difficulties for the peaceful reunification of Korea and aggravate the tension on the Korean peninsula, the press reports charged.

In a commentary today, the Korean paper "NODONG SINMUN" said that because of the tension, the North-South Korean dialogue has not been reopened. The commentary added that now is the time for discussing the relaxation of tension, rather than talking about humanism and economic cooperation.

The exercises, which follow a series of earlier military exercises including the large-scale "Team Spirit 86" joint U.S.-South Korean exercises held in February, are aimed at testing war preparations and dealing with emergencies.

LI PENG CALLS FOR MORE BALANCED TRADE WITH JAPAN

OW171753 Beijing XINHUA in English 1512 GMT 17 Jul 86

[Text] Beijing, July 17 (XINHUA) -- Chinese Vice-Premier Li Peng said here today Japan should buy more Chinese coal to help end the trade imbalance between the two countries. Li made the remark at a meeting preceding Friday's opening of a Japanese food technology exhibition in the Beijing Exhibition Hall. "I hope the exhibition will be a successful one," Li told a delegation of Japanese industrialists this afternoon.

He asked the Japanese to increase imports from China to solve problems of imbalanced bilateral trade. "With the development of China's economy, China can expect more coal to Japan while increasing its traditional exports," he said, adding that China is "willing to conclude a long-time cotton export agreement with Japan." The vice-premier also asked the Japanese to offer low-interest loans to support China's imports of Japanese equipment.

The 15-day exhibition, to be held in the Beijing Exhibition Center, will display food processing, circulation and storage equipment. Over 100 Japanese firms will take part. Also on display will be samples of China's leading processed foods.

PRC OFFICIAL CONDOLES ON LAO OFFICIAL'S DEATH

OW171206 Beijing XINHUA in English 0642 GMT 17 Jul 86

[Text] Beijing, July 17 (XINHUA) -- Chinese Vice-Minister of Foreign Affairs Liu Shuqing this morning went to the Lao Embassy here to offer condolences on the death of Faidang Lobaliayao, vice-president of the Supreme People's Assembly of the Lao People's Democratic Republic and vice-chairman of the Central Committee of Lao Front for National Construction.

Lobaliayao died on July 12th in Vientiane at the age of 76.

Wreaths presented by the Chinese National People's Congress Standing Committee, the National Committee of the Chinese People's Political Consultative Conference and the Foreign Ministry were placed in the memorial hall where a portrait of the late vice-president was hung.

DEMOCRATIC KAMPUCHEA LETTER URGES NEW SRV POLICY

OW161104 Beijing XINHUA in English 0702 GMT 16 Jul 86

[Text] Beijing, July 16 (XINHUA) -- The Kampuchean people have expressed the hope that Vietnam will change its aggressive policy and seek a settlement to the Kampuchean problem in accordance with the eight point proposal put forward by the Coalition Government of Democratic Kampuchea (CGDK).

The Kampuchean desires were expressed in an open letter sent to the Vietnamese people and their new leadership by the Kampuchean people on July 14, Radio Democratic Kampuchea reported today.

The letter said that the eight-year old war launched by Vietnam against Kampuchea has killed numerous Kampuchean civilians and put Vietnam itself in a difficult position militarily and economically. Now the Vietnamese authorities are very isolated from the rest of the world, it added.

The letter went on to say that the eight-point proposal is the best way to solve the Kampuchean problem because it can ensure peace for both Vietnam and Kampuchea, to the interests of the peoples of both countries. Therefore, the Kampuchean people hope that the Vietnamese new leadership genuinely changes its aggressive policy in Kampuchea.

ZHAO ZIYANG CONTINUES EUROPEAN, AFRICA TRIP

Meets Overseas Chinese in Madrid

OW180015 Beijing XINHUA Domestic Service in Chinese 0626 GMT 16 Jul 86

[By reporter Yu Guangsheng]

[Text] Madrid, 15 Jul (XINHUA) -- Premier Zhao Ziyang cordially met this evening at the Chinese Embassy in Madrid with representatives of Overseas Chinese in Spain and local Chinese, Chinese students in Spain, and the staff of the embassy, and had a photo taken with them.

At 1930, when Premier Zhao and his entourage entered the embassy reception room in company with Cao Yuanzin, Chinese ambassador to Spain, they were greeted with warm applause by over 80 representatives of Overseas and local Chinese. Through them, Premier Zhao extended his warm regards to over 6,000 Overseas and local Chinese living in various localities in Spain. Premier Zhao expressed three hopes for them. He said: "First, I hope you foster a good relationship with the local people and get along well with them; second, I wish all of you success in your undertakings; third, I hope you make greater contributions to forging friendly relations between the Chinese and Spanish people."

The Spanish Overseas and Local Chinese Association presented a wall clock to Premier Zhao at the meeting. On the clock is written: "We are concerned about the motherland's four modernizations," to express the Overseas Chinese warm love for the motherland.

After Premier Zhao Ziyang's meeting with representatives of the Overseas and local Chinese, he met Chinese students in Spain and the staff of the Chinese Embassy in Madrid.

Arrives in Turkey

OW171416 Beijing XINHUA in English 1354 GMT 17 Jul 86

[Text] Ankara, July 17 (XINHUA) -- Chinese Premier Zhao Ziyang arrived here at 13:50 GMT today from Madrid for a seven-day official goodwill visit to Turkey. Turkey is the fifth leg of his current six-nation tour. He visited Yugoslavia, Romania, Greece and Spain before he came here and will proceed to Tunisia on July 23.

At a press conference in Madrid yesterday, Zhao said he achieved what he expected from his trip to Spain and added he is confident that relations between China and Spain will advance to a new level. Before his departure for Ankara this morning, Zhao met Vice General Secretary Enrique Curiel of the Spanish Communist Party (SCP) and member of the SCP Secretariat Simon Snachez Montero in his living hotel.

Welcomed by Turkish Counterpart

OW171545 Beijing XINHUA in English 1500 GMT 17 Jul 86

[Text] Ankara, July 17 (XINHUA) -- Turkish Prime Minister Turgut Ozal gave a red-carpet welcome to Zhao Ziyang, the first Chinese premier to visit Turkey, at the Esenboga airport this afternoon.

Zhao's six-day visit to the Eurasian nation is the fifth leg of his Balkan-Mediterranean tour. The purpose of Zhao's trip is to broaden understanding, enhance friendship, promote mutual cooperation and maintain world peace. Zhao noted in a written statement that the friendship between China and Turkey dates to ancient times.

"The bustling traffic along the silk road illustrated the frequent trade exchanges between our two countries in ancient times," he said, "I am pleased that exchanges of visits and contacts between the leaders and personages of all circles of the two countries have been increasing in recent years, instilling continuously fresh vitality to the cause of Sino-Turkish friendship."

Ozal, in an interview with XINHUA Wednesday, said Turkish and Chinese people have opened a historic friendship road -- the silk road in ancient time, which started from China and ended in Turkey. Since establishing diplomatic relations in 1971, Ozal said, relations between the two countries have grown in all areas. "I sincerely wish the friendly relations between Turkey and China still greater development," especially in the economic sphere, he added.

After Ozal greeted Zhao, a Turkish girl presented Zhao a bouquet of flowers. Then, after the national anthems of both nations were played, Zhao and Ozal reviewed an honor guard.

Also at the airport to meet the Chinese premier were Turkish Deputy Prime Minister Kaya Erdem, Minister of State Mesut Yilmaz, Foreign Minister Vahit Halefoglu, Minister of Industry and Commerce Cahit Aral, Turkish Ambassador to China Behic Hazar and other high-ranking officials.

Chinese Ambassador to Turkey Zhan Shiliang, diplomats and staff members of the Chinese Embassy in Ankara, representatives of the Chinese students in Turkey also attended the ceremony. A dinner in Zhao's honor was scheduled this evening.

Talks With Turkish Prime Minister

OW172344 Beijing XINHUA in English 2335 GMT 17 Jul 86

["Chinese, Turkish Premiers Start Official Talks" -- XINHUA headline]

[Text] Ankara, July 17 (XINHUA) -- Chinese Premier Zhao Ziyang, shortly after his arrival here this afternoon on an official goodwill visit, met his Turkish counterpart Turgut Ozal for talks on bilateral relations and world issues.

The talks, which were a restricted session, lasted for over an hour and proceeded in a cordial and friendly atmosphere, a Chinese Foreign Ministry official said after the meeting.

Their exchange of views covered a number of international issues, regional problems and the ways for promoting the friendly and cooperative relations between their countries, the official added.

Present at the talks were their chief aides including Turkish Foreign Minister Vahit Halefoglu and Chinese Vice Foreign Minister Qian Qichen.

Zhao, Ozal Address Banquet

OW172340 Beijing XINHUA in English 2330 GMT 17 Jul 86

[Text] Ankara, July 17 (XINHUA) -- Chinese Premier Zhao Ziyang and Turkish Prime Minister Turgut Ozal agreed that there are broad areas and great potentials for cooperation between their two countries, which had been linked by the ancient "silk road" over 1,000 years ago.

Speaking at a banquet given here this evening by Turkish Prime Minister Ozal in honor of Premier Zhao, the Chinese and Turkish leaders outlined prospects for such cooperation, especially in the economic and technical fields.

Both China and Turkey are developing countries, said Premier Zhao, and it is their common task to shake off and end the state of underdevelopment. "We can and need to learn each other's strong points to offset each other's weaknesses and supply each other's needs," said Zhao.

Premier Zhao flew in here from Madrid this afternoon on an official visit at the invitation of the Turkish Prime Minister. This is the fifth leg of his Balkan-Mediterranean tour.

In his toast at the banquet, Turkish Prime Minister Ozal reviewed with satisfaction the new development and expansion of the traditional ties between Turkey and China.

If the economic relations between the two countries should reach the level compatible to the potentials of the two countries, the prime minister said, it will not only be beneficial to the people of both countries but also set an example in south-south cooperation.

The two premiers met for official talks prior to the banquet.

Further on Banquet Remarks

OW172356 Beijing XINHUA in English 2340 GMT 17 Jul 86

["World Future Hinges on People's Will and Struggle, Says Chinese Premier" -- XINHUA headline]

[Text] Ankara, July 17 (XINHUA) -- The future of the world depends on the will, determination and struggle of the people of all countries, said Chinese Premier Zhao Ziyang here this evening.

Speaking at a banquet given in his honor by Turkish Prime Minister Turgut Ozal, Zhao said each nation, big or small, strong or weak, rich or poor, can contribute its share to maintaining world peace.

The Chinese premier arrived here this afternoon after a four-day visit to Spain. This is the fifth leg of his Balkan-Mediterranean tour. He has completed visits to Romania, Yugoslavia, Greece and Spain and will visit Tunisia later.

The main purpose of the visit is to boost China's relations with these countries and seek peace in the world, the Balkan and Mediterranean regions in particular.

He drew attention to the recent escalation of military conflicts and war in the Mediterranean and the Middle East, saying that has not only aggravated the turbulent situation in the areas but also directly jeopardized international security.

He condemned the two superpowers for their contention and arms race, which, he said, have posed a serious threat to world peace and made the long-drawn-out regional conflicts last, unsettled.

The Chinese premier praised the Turkish Government and people for their efforts to develop the economy internally and to develop relations of friendship and cooperation with other countries and seek stability and peace in its own region, ease the tense international situation and safeguard world peace.

Turkey, with a geographical location that links the East with the West, has a unique role to play in international affairs, the premier said.

Turkish Prime Minister Turgut Ozal said that Turkey would "conscientiously and firmly perform its obligations in the effort for peace and security in both its own region and the world as a whole."

He said that the policy of peace pursued by the Turkish Government dictated that this country intends to settle issues with other countries, especially with neighboring countries, through dialogue and by peaceful means.

Though Turkey is a European country politically, its geographical location determines that it puts much importance to developing relations with the Middle East and Asian countries and safeguarding peace and stability in the regions.

He called for a just and lasting settlement of the issues in the Middle East, between Iraq and Iran in Afghanistan, Kampuchea and southern Africa.

The prime minister reiterated his support for the sincere efforts for disarmament that will stand the test of the times, so as to prepare a good environment for world peace and put the existing resources to the most extensive use for the development of various countries.

He criticized the protectionist tendencies of industrialized countries, which, he said, have gone so far as to obstruct the efforts by developing countries to invigorate their economies.

XINHUA ANALYZES ITALY'S 'POLITICAL CRISIS'

OW141952 Beijing XINHUA in English 1737 GMT 14 Jul 86

["News analysis: Italy's Political Crisis Deepens (by Yu Zailin)" -- XINHUA headline]

[Text] Beijing, July 14 (XINHUA) -- Italy has recently plunged from its greatest political stability for 40 years into a crisis so severe that it might lead to a premature general election.

Italy's two-week-old political crisis worsened on Friday as outgoing Prime Minister Bettino Craxi's Socialist Party formally rejected the choice of caretaker Foreign Minister Giulio Andreotti, a veteran Christian Democrat, as head of Italy's 45th postwar government.

"The crisis has been pushed into a blind alley, we will do what we can to get out of it, but it will not be easy," said Craxi, who resigned on June 27 after losing a secret vote in Parliament on a local financing bill but has remained on as caretaker premier.

President Francesco Cossiga gave the 67-year-old Andreotti, who has been Italian premier five times, a mandate to end the government crisis and form a new government following two weeks of unsuccessful attempts to revive Craxi's fallen coalition of Christian Democrats, Socialists, Republicans, Liberals and Social Democrats.

Premier-designate Andreotti, who starts intensive talks today with all political party leaders on resolving the government crisis, faces enormous difficulties and his chances of constructing a viable administration seem slim.

The Socialists, the third largest party in Italy and one whose participation is essential if Andreotti is to form a government with a majority in Parliament, are openly hostile to his efforts.

Claudio Martelli, Craxi's right-hand man, said the Socialist rejection was not aimed at Andreotti personally but at "the brutal and unilateral" manner in which the Christian Democrats are seeking to assert "their domination of the political life of the country and the leadership of the government."

The Socialists have accused the Christian Democrats, Italy's largest party, of deliberately maneuvering to oust Craxi from the premiership, despite the success of his government in bringing stability to Italy.

They also claimed that, by custom, President Cossiga -- a Christian Democrat -- should have given Craxi the first opportunity to form a government. Finally, they argued that Andreotti's candidacy was not the result of consultations between the five coalition parties, but a unilateral Christian Democrat decision.

Observers said the root cause of the crisis, which brought down Craxi's 34-month-old government, was non-stop squabbling between the Christian Democrats and Socialists.

Since Craxi's government fell, the power struggle between the two parties has centered on the premier's post. The Socialists want another Craxi-led government for an unlimited term. But the Christian Democrats said Craxi, who has served for a postwar record of nearly three years, should either hand over the premiership by the end of this year or keep it until general elections in 1988 on the condition that a Christian Democrat would be prime minister for the next five years.

In recent days the government crisis has worsened and the danger of early elections increased as the Socialists and Christian democrats apparently moved further away from a compromise.

In these circumstances, Andreotti might eventually be forced to form a minority government or admit defeat. In either case a general election would likely follow, possibly as early as the autumn and nearly two years ahead of schedule.

Political analysts said if Andreotti cannot reach agreement with the Socialists, one possibility is a Christian Democrat minority government through the rest of the summer, what the Italians call a "seaside" cabinet.

Should Andreotti fail to form a new government, early elections are also possible, analysts said. The next polls are not due until 1988, the end of the current parliamentary term.

Leaders of the three other coalition partners -- the Republicans, Liberals and Social Democrats -- said that early elections may be necessary unless the two major parties come to terms. No party has a majority in Parliament, and both the Socialists and Christian Democrats have refused to govern together with the Communists, Italy's second largest party.

The Socialists clearly hope Cossiga will offer Craxi the next chance to patch together the coalition if Andreotti's attempt fails because of the Socialist refusal to support him. But in view of the Socialist rejection, political analysts doubted the Christian Democrats would back a Craxi bid.

Not long ago, Italy still appeared to be enjoying the benefits of its most stable political period since the foundation of the Republic in 1946, with Socialist Premier Craxi at the helm of a five-party coalition government, the 44th and longest-lived of Italy's postwar administrations.

Craxi had won international prestige for his stewardship over a period of unaccustomed stability which helped Italy make important economic gains, including a sharp cut in inflation, and greatly improved the country's image abroad.

On July 4, President Cossiga gave Senate President Amintore Fanfani "an exploratory mandate" to mediate the crisis, but Fanfani's mission did not lead to a breakthrough.

The period of stability under Craxi appears to have hidden a simmering dispute between his Socialists and the Christian Democrats which finally erupted following a Sicilian regional election last month.

Andreotti has been foreign minister since Craxi's government was formed on August 4, 1983. He supported Italy's close ties with the United States and NATO membership, but also called for better relations with the Soviet Union.

The start of the crisis on June 26 took Craxi by surprise. He was forced to rush back from a European community summit in The Hague and the depth of the crisis shocked and astonished the public and many political commentators. Now it seems a continuation of the deadlock could lead to premature elections or at the best to a short-term minority government to tide the nation over the summer season.

REGULATIONS ISSUED ON NUCLEAR PLANT SAFETY

OW171034 Beijing XINHUA in English 1015 GMT 17 Jul 86

[Text] Beijing, July 17 (XINHUA) -- China issued four sets of regulations on the safety of nuclear power plants on July 7, the National Nuclear Safety Administration (NNSA) told XINHUA today.

The four sets of regulations are about the siting, designing, operation and quality assurance of nuclear power plants, said Shi Guangchang, deputy director of NNSA, which drafted the regulations.

"Safety regulations on the siting of nuclear power plants" say that detailed surveys and evaluation must be made as to the necessary natural and man-induced events relating to the site of a nuclear power plant.

The events refer to those that might affect the safety of nuclear power plants, including rainfall, flood, wind, wave, earthquake, surface movement, plan collision, and forest fire.

This set of regulations stipulates in principle the detailed requirements for seismic and population evaluation, atmospheric dispersion, hydrogeology, foundation safety, plant site surveys, flood, meteorology and radiation protection.

According to the "safety regulations on the design of nuclear power plants," the design of a nuclear power plant, especially that of relevant structures, systems and parts of the plant must accord with safety requirements. And an appraisal must be made of postulated initiating events that might be believed to affect the safety of the nuclear power plant, and protective measures must be planned.

Multi-protective screens must be designed to prevent radioactive fallout.

Drawing lessons from the Three Mile Island incident in the United States, this set of regulations stipulates that the work environment must be designed in line with the principle of human engineering. The regulations also list detailed requirements for the design of reactor cores, components, meters and instruments control, protection system, cooling system, emergency power system, safety containment system, radiation protection, fuel loading, unloading and storage system, and explosion-proof, fire-proof, security and emergency measures.

"Safety regulations on the operation of nuclear power plants" set forth stipulations for the commissioning, operation, maintenance and decommissioning of such plants and the total responsibility for the safe operation on the part of the operating organization. Nuclear power plants must accept NNSA supervision over their safe operation.

The operating organizations must have an adequate number of competent operation managers and operators who have the licence for guiding and operating nuclear power plants after training and examinations.

Nuclear power plants must have the license for their commissioning and operation after they are examined and approved by NNSA.

"Safety regulations on the quality assurance of nuclear power plants" require all organizations involved in nuclear power plant projects must carry out relevant programs on quality assurance. They also set strict demands on documentation and records relating to these projects.

At present, China is building two nuclear power stations, Qinshan in east China's Zhejiang Province, which is designed by China itself and has a designed generating capacity of 300 mw, and Dayawan in south China's Guangdong Province, which has a designed generating capacity of 1,800 mu and its equipment is imported from France and Britain.

Appropriate development of nuclear energy constitutes part of China's policy on boosting the country's power industry.

France To Assist in Safety Checks

HK180729 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1414 GMT 17 Jul 86

[Report: "Jiang Shengjie Says China and France Will Jointly Check the Safety of the Daya Bay Nuclear Power Plant"]

[Text] Beijing, 17 Jul (ZHONGGUO XINWEN SHE) -- Today Jiang Shengji, director of the Chinese Nuclear Safety Bureau, told this reporter that the Chinese and French departments concerned reached an agreement not long ago to jointly check and approve safety at the Daya Bay Nuclear Power Plant.

France has rich experience in checking and approving nuclear power plant safety and it will provide gratis to the Chinese side the data and materials needed for checking nuclear power plant safety, he said.

Jiang Shengji said: China bought nuclear power equipment from France, because it has strict quality control standards and its equipment is of high quality. France has developed nuclear power faster than any other country in the world, at a rate of 4 to 5 reactors a year. Nuclear power-related products made by France, such as pressure shells and pressure pumps have a good reputation in the world.

According to Jiang Shengjie, China will buy analog machines for nuclear power operation training from foreign countries to train its operators and then send them to other countries to receive an on-the-job operational training. Before taking a job in the operation and management work of nuclear power plants, all operators must obtain certificates of qualification issued by the State Nuclear Safety Bureau after an examination. China will also strictly select nuclear power operators, stressing that their intelligence and ability to cope with emergencies must be higher than those of personnel in conventional power plants.

DECISION ON ABOLITION OF FEC'S STILL PENDING

HK171054 Hong Kong AFP in English 1042 GMT 17 Jul 86

[Text] Peking, July 17 (AFP) -- China has yet to decide how and when to abolish foreign exchange certificates (FEC), the special currency that has spawned a thriving black market, a senior Chinese banking official said Thursday.

"The departments concerned have yet to make a final decision," Zhu Xingxing, chief of China's Foreign Exchange Management Bureau said in a telephone interview.

"The abolition of the FEC is not a simple matter that can be accomplished in a day or two. It concerns the continued implementation of the open policy and other related questions, he said.

Mr Zhu curtly dismissed remarks by Qian Jiaqu, a leading Chinese economist, who was quoted in a Hong Kong newspaper Thursday as saying that Beijing had "fixed a date in the near future," for the withdrawal of the FEC.

"Qian Jiaqu is only a member of the People's Political Consultative Conference," he said, referring to the economist's post in China's honorary but powerless body of academics and other non-communists.

"He has never participated in any important meeting concerning the abolition of the FEC. Therefore his point of view cannot represent a formal decision by the state but only his individual guess."

(Mr Qian, who spoke with the Hong Kong newspaper while on a visit to the neighbouring Shenzhen Special Economic Zone, was reported to have come at the invitation of Shenzhen's mayor to study the zone's economy.)

Speculation about the abolition of the FEC, which has the same official value as the yuan but has traded on the black market for up to 70 percent more, has mounted since Chinese officials announced last April that the special notes would eventually be abandoned.

Trading in Chinese currency is strictly controlled by the government, which has cut the yuan's value by about 60 percent against foreign currencies in the past two years, including a 16 percent devaluation this month.

Analysts said the devaluation was moving in the direction of creating a currency whose official value was closer to its market value, but Chinese leaders have said that withdrawal of the FEC is separate from the question of having a freely-traded Chinese currency.

The issue is critical to foreign ventures doing business in China and taking as much of their income as possible in FEC, which they can exchange directly for foreign exchange.

Rumours about the FEC's impending withdrawal have had their strongest effect among urban Chinese, who until recently paid steep black market rates for the notes in order to buy imported consumer goods not otherwise available.

In recent months such people are no longer seeking FEC's so avidly but instead hoping to change their accumulated stores directly for U.S. dollars, observers said.

ECONOMIST ON IMPORTANCE OF ECONOMIC INFORMATION

HK160711 Beijing RENMIN RIBAO in Chinese 12 Jul 86 p 2

[Article by Qian Jiaju: "We Should Attach Importance to Economic Information"]

[Text] On 5 July, People's Bank of China president Chen Muhua announced that as of 5 July the exchange rates of renminbi against foreign currencies were to be adjusted downward by 15.8 percent, namely, the exchange rate of \$100 against 320 yuan in the past was due to be adjusted to \$100 against 370.36 yuan.

In economically developed countries, an important decision like this would certainly be carried as a major news item on the front page, along with a list of the new exchange rates. This is because it will have a great effect on China's import and export trade (I support this decision because it can stimulate our exports and restrict our imports). However, of the newspapers I saw, only RENMIN RIBAO carried this news on the front page. With the exception of the new exchange rate between renminbi and the U.S. dollar, there was no news about the rates between the renminbi and other foreign currencies, such as the Japanese yen, the Hong Kong dollar, DM, Franc, and the British pound in RENMIN RIBAO, GUANGMING RIBAO, or BEIJING RIBAO on 6 July. What is stranger is that some newspapers, which regard reporting economic news as their duty, have failed not only to publish the new exchange rates but also to carry Chen Muhua's talk. This is really quite surprising. This shows that these newspapers attach little importance to economic information.

LIAOWANG ON HANDLING CONTRADICTIONS WITHIN CPC

HK171311 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 28, 14 Jul 86 p 1

["Letter From Beijing" by Bao Xin: "On How the CPC Handles Contradictions Within the Party"]

[Excerpts] Dear brother: In commemoration of the 65th anniversary of the founding of the Chinese Communist Party on 1 July, Chinese papers published the speech of Hu Yaobang, CPC Central Committee secretary general, "The Question on the Correct Handling of the Two Kinds of Contradictions Within the Party." At the time of the speech's publication, correction of party style and party rectification work were in progress; reforms were being carried out; and an atmosphere of democracy, loosening up, and harmony were being shaped. Thus, the importance of this speech goes without saying. While it dealt with the question of correctly handling contradictions within the party, however, due to the leading and ruling position of the CPC in the country, the issue is also of great significance outside the party and in the entire country. If contradictions within the party could be properly handled, this could set an example, give impetus to the correct handling of contradictions among the people, and consolidate as well as develop stability and unity in the country. [passage omitted]

Viewing the contents and manner of manifestation of contradictions, Hu Yaobang in his speech classified internal CPC contradictions into two categories: One is contradictions involving differences of opinion in work and understanding; the other is contradiction of personal interest with the interest of the party and the people. This corresponds with the CPC's reality. Some people overseas exaggerated the contradiction within the CPC; a few even conjured up stories of the CPC being divided into "two factions," so-called "conservatives" and the other, so-called "reformers." Still others went to great length to describe the "struggle for power" within the CPC. Due to differences in experiences, education, and of perspective in the deliberation of issues, people have differing proposals and opinions in work in understanding. This is a common phenomenon in life and is indeed normal. How can they be casually tagged as "x xx factions"? During the "Cultural Revolution," factionalism was indeed quite rampant for a while. People were divided into "loyalists," "rebels," "indifferents," etc. This was the doing of the "gang of four," whose purpose was to attack people. Today, the pernicious effects of such factionalism have been gradually eliminated. As for a "power struggle" among party members now, there are certainly some people who have inflated individualism and are overly ambitious for power. They would spare no effort to achieve personal gains, even to the extent of seriously violating the law. This kind of people gravely jeopardize the interest of the party and the people. They cannot be tolerated by party and state law and must be rectified. This cannot be said to be "power struggle within the CPC." [passage omitted]

As for the very small number of antagonistic contradictions, such as serious violations of economic law and serious law infringements in other aspects, it is necessary to apply party and state laws. If not sternly handled, not only would the people's anger not be pacified it could also foment evil trends, set bad examples for other cadres, and have a corrupting effect. At present, the CPC's handling of this kind of contradiction tends primarily to be soft. Some major incidents were even toned down, and minor ones turned out to be no problem at all. In order to overcome this weak approach, the CPC has ordered the central bodies to take the lead to conscientiously strengthen the political life of party organization at all levels, strengthen democratic centralism, and enforce strict party discipline. Naturally, violators of the law will be treated according to the law.

On the question of handling contradictions within the party, the CPC has had numerous experiences and lessons, including some extremely painful ones. Today, at a critical time of comprehensive reform of the economic structure, it is timely that the CPC leaders have brought up the question of properly handling two kinds of contradictions within the party. This would help continue promoting the fine political and economic situation at present.

Yours truly,

[Signed] Bao Xun

[Dated] 6 July 1986

RENMIN RIBAO ON REFORM, THEORETICAL FLOWERING

HK161018 Beijing RENMIN RIBAO in Chinese 11 Jul 86 p 5

[Article by Da Jiang: "Practice in Reform Calls for Flourishing Theories -- Comments on the Shanghai Cultural Development Strategy Seminar"]

[Text] The sun shone brightly and the wind blew gently in Shanghai this May, where music of reason, a blend of calmness, leisureliness, activity, and liveliness was played. Some 300 people, including theoretical and practical workers, leading comrades from the Central Propaganda Department, the Ministry of Culture, and the municipal CPC committee, and veteran fighters on the cultural front, assembled in a hall to discuss things on an equal footing, each airing his own views, and to jointly explore Shanghai's cultural development strategy. A variety of different opinions were expressed in heated discussions. While sharing similar views on the goals, the participants at the meeting reserved differences with pleasure. Although the topics under discussion were unrestrained and far-ranging, the central topic was clear and definite, and although the participants had their own views, their goals were identical. The seminar stirred up enthusiastic discussions on reform, opening up to the outside world, science, and democracy, not only among the participants but also outside the meeting.

This is Shanghai's "cultural fad," as people have called it recently.

Praise and Censure of the "Shanghai Style"

In discussing cultural affairs in Shanghai, people will naturally touch on the "Shanghai style," which has a long history. The "Shanghai style" of the past was related to concessions, which were related to foreigners and big commercial firms. In traditional views, commerce is despicable; moreover, concessions were the product of the policy of aggression of the imperialists. Therefore, the "Shanghai style" has always had a bad reputation. Sometimes, it was almost regarded as the synonym of imperialism, capitalism, and bourgeoisie. Today, 30-odd years have passed since the founding of the PRC. However, the ulcers of old China are still used as grounds to oppose the implementation of the policy of opening up to the outside world, the bad habit of despising merchants which has lasted for several thousand years is combined with fear of the commodity economy, and egalitarianism, the practice of "everybody eating from the same big pot," and the product economy are regarded as socialist, the commodity economy as capitalist, and all these concepts are regarded as orthodox Marxism. For this reason, many comrades deeply feel that chronic illnesses are so deep-rooted that it is imperative to change these concepts. At the current seminar, many comrades restudied the characteristics of the "Shanghai style" culture and its role in history. All seminar participants agreed: Practice since the founding of the PRC has shown that the rapid development of Shanghai's economy is inseparable from the party leadership and its original foundation or its superiority in the economic, technological, and cultural sectors. However, practice over the last 30 years or more has also shown that the reason Shanghai's economy failed to develop at a more rapid rate lies precisely in the fact that the numerous outdated concepts and rigid economic patterns have stifled the vitality of its economy. [paragraph continues]

To carry forward the fine traditions of the Shanghai culture, it is necessary to be good at deriving nourishment from the cultures of other places and blazing new trails and bold in clearing the way to forge ahead continuously. Continued and sustained efforts should be made to combat the decadent feudal and capitalist ideas, in particular, the leftover influence of feudalism. Efforts should also be concentrated on eliminating the influence of "leftist" ideology. As far as Shanghai is concerned, on no account must this point be ignored.

From the very start, the seminar was confronted with a strong demand for smashing old concepts.

The Continuity of the Discussion on the Criterion of Truth

Why can this "cultural fad" emerge on China's soil in the mid-1980's? Many seminar participants associated the current situation with the discussion on the criterion of truth that took place 8 years ago. Now everybody is already very clear about that discussion. When history develops to a certain period, it calls for rational reflection of its general trend and cleaning out of old concepts that hinder its advance. If at that time the "two whatevers" were not refuted and the party's ideological line was not corrected, there would not have been the situation in which we are living today.

At the meeting, many comrades said that in discussing the criterion of truth, a passage by Lenin was widely quoted. Lenin said: After experiencing a fierce revolutionary struggle, revolutionary parties cannot continue "without a return to elementary questions and without new training to help them 'digest' lessons of unparalleled richness and make it possible for incomparably wider masses again to march forward, but now far more firmly, more consciously, more confidently, and more steadfastly." ("Collected Works of Lenin" Vol 17, p 25) By again studying these remarks of Lenin and relating them to our own experience over the last 8 years, we will be able to gain a relatively conscious understanding of the current "cultural fad."

Since the 3d Plenary session of the 11th CPC Central Committee, our reform, starting from the rural areas, has developed into all-round reform with focus on cities. This is a profound social change affecting the interests and behavior of different sectors of society, a change not comparable with the debate taking place 8 years ago both in breadth and in depth. The reform going on today in China is an all-round, comprehensive, and dynamic social systems engineering project involving the whole society's economy, politics, culture, and the ideology, concepts, lifestyles, and psychology of the people. Practice over the last few years has proved that without relevant political and cultural changes, progress in economic reform would be difficult to make and what we have gained in the reform might be lost again.

Most participants at the seminar on Shanghai's cultural development strategy agreed with this assessment, asserting that the current "cultural fad" was indeed the continuity and development of the discussion on the criterion of truth. However, the historical mission it takes on seems more arduous.

Another Movement To Emancipate the Mind

At the seminar, some comrades said that there were two reasons for the current "cultural fad." First, economic structural reform rocks traditional culture and concept of value. [paragraph continues]

In other words, social development challenges traditional values. Second, in the course of reform, people have begun to realize that traditional culture and concept of value hinder the progress of reform. In other words, traditional values resist social development. The struggle between the two forces in the course of history has led to emancipation of people's minds.

All seminar participants traced the question of traditional culture and emancipation of people's minds to the 4 May Movement, which took place 5 decades or more ago. At the beginning of this century, the advanced elements of the Chinese nation gradually came to see that modernization of China could not be based on partial reform of the old empire but instead it called for an all-round cultural and social change, in particular, throughout elimination of the feudal culture and the concept of value based on such a culture which had held a dominant position in China for several thousand years. Hence, there was the famous 4 May Movement. In the course of the movement, the Chinese ideological community was very active in criticizing traditional culture and introducing Oriental and Western civilizations. This can be called the first "cultural fad" in modern Chinese history. The movement raised the resounding slogan of "down with the shop of Confucius," and promoted dissemination of the science introduced from the West -- Marxism -- in China. It has made contributions never to be obliterated in history. However, the movement failed to solve the problem of achieving modernization in China. Historically, this task fell to the Chinese Communists.

The comrades participating in the seminar pointed out: During the period of democratic revolution, our party concentrated its main efforts on seizing state power by armed force. In the 30-odd years following the founding of the PRC, great achievements have been made. However, we failed to shift in good time the focus of our work to the historic task of achieving modernization in China. Just when we launched one political movement after another under the guiding ideology of "taking class struggle as the key line," many countries in the world were moving ahead in big strides. We have thus lagged far behind them. It was not until the 3d Plenary Session of the 11th CPC Central Committee that we came soberly to realize this problem. History has once again assigned us the task we should have fulfilled in the past but failed, a task of carrying out an overall reform. Through several years of practice, people have ultimately come to see the truth of "reform in China's second revolution." The task of China's reform, though the self-improvement and self-development of the social system, is very arduous. The reform to modernize China's society is a systems engineering project designated to resolve complicated, multi-level, and overlapping social problems rather than a move to reform the economy, science and technology, and education alone (of course, reform in these areas is very important). The pressing task now is to eradicate the old habits and concepts of value hindering the reform. Many comrades agreed that the "cultural fad" now prevailing in the ideological community in China with Shanghai in the lead is not only the continuity of the emancipation of people's minds started from the 3d Plenary Session of the 11th CPC Central Committee, but it will also be China's second emancipate-the-mind movement since the 4 May Movement. [paragraph continues]

The task of the current movement to emancipate the mind is to mobilize the whole nation to smash the trammels of old concepts and to establish a new concept-of-value system commensurate with the needs of developing the socialist commodity economy and achieving modernization.

Do Not Forget the Teachings of the "Manifesto"

An important aspect of the "cultural fad" is the attitude toward the achievements of the different civilizations in the world. This was a topic both at and outside the meeting. Many participants said that our country takes Marxism as its guiding ideology and it is an open science. However, some people are more used to the practice of closing the country to international intercourse. People who stick to this practice are more in dread of the world culture than the Chinese who lived 100 years ago. Basically, they discriminate against the research developments of social sciences in foreign countries, such as the various schools of thought, ideological trends, and theories existing in the current workers movement and the new concepts and ideas put forth in the course of scientific development. Although the practice of overthrowing all based on the notion of "taking class struggle as the key link" is quite rarely adopted, there exists a spiritual fence based on ready-made philosophical conclusions acting as a brake on exchanges between different ideologies. Anyhow, this will not help achieve modernization.

Many comrades pointed out: Beyond doubt, the policy of opening up to the outside world might bring in some bad things and even decadent ideologies. But how can a socialist spiritual civilization possibly be built if the communists are not confident of overthrowing these things? Instead of placing this important historical mission on specific talented individuals, we must derive nourishment from the achievements of world civilization. To explain this argument fully, the seminar participants not only repeatedly quoted Lenin's commendable well-known saying -- "Proletarian culture is not clutched out of thin air; it is not an invention of those who call themselves experts in proletarian culture. That is all nonsense." ("Selected Works of Lenin" Vol 4, p 348) -- but they also studied again and again the teachings of the "Manifesto of the Communist Party." This monumental Marxist classic work says: "In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations. And, as in material, so also in intellectual production. The intellectual creations of individual nations become common property. National one-sidedness and narrow-mindedness become more and more impossible." Many comrades said: One hundred or more years later, today, with the rapid development of modern science and technology, the achievements of human civilization have gone beyond the separation between different countries, with each deriving from, permeating through, and blending with the other. Whoever wants to resist this trend will be tossed to the rear by the course of history. This is independent of man's will.

Practice Is Calling

The comrade participating in the seminar widely agreed that our reform is a completely new undertaking and there is no ready formula to follow and apply. [paragraph continues]

Many comrades said: 'Marx' political economy cannot solve all problems in the socialist economy, because Marx and Engels did not have the practical experience in building socialism. Socialism is built in China on a semifeudal and semicolonial basis. The society envisaged by Marx in those years was society without commodities, but we are now giving priority to commodity economy. We want to develop a commodity economy under socialism. When it comes to Marxism, this is a new topic. Many comrades pointed out: for a considerable length of time in the past, we propagated Marxism in a seriously mechanical, dogmatic, and pragmatic way. During the 10 years of turmoil, Marxism was distorted beyond recognition. The ideological line upheld by the party since the 3d Plenary Session of the 11th CPC Central Committee, a line of emancipating the mind and seeking truth from facts, has restored and developed the scientific spirit and creativity and vitality of Marxism. In their understanding of socialism, people have freed themselves from the trammels of numerous rigid "leftist" concepts. The central authorities' decision on reform of the economic structure scientifically explains the question of a planned commodity economy and has really enriched the ideological arsenal of Marxism. Developing Marxist theory is the demand of the socialist practice in the contemporary era. If a theory fails to provide answers to new problems cropping up in practice and if it fails to develop itself along with the development of practice, it will become completely useless dogma. All participants agreed that the debate on the so-called adherence to and development of Marxism currently underway among theoretical circles can be easily solved if people have thorough understanding of the consistent spirit of Marxism.

On various occasions during the seminar on Shanghai's cultural development strategy, with all sorts of feelings welling up their minds and full of confidence, the participants believed that to develop Marxism and make culture, education, art, and learning prosper is not an easy job. It requires the broad masses of theoretical, artistic, scientific, and practical workers and all interested people with lofty ideals to make bold explorations and assiduous study and to strive for creation. This calls for, among other things, an environment in which our explorers can fearlessly seek truth. In the course of seeking truth, error is permitted. The previous unreasonable and organized so-called "academic criticism" should not be repeated. If a project in natural sciences requires 606 experiments before it is successful, in other words, 605 failures or defects are tolerable, why would people make a fuss over some errors occurring in the study of social sciences or in literature and art creation, thinking the sky is falling and even easily resort to big sticks?

All participants said: It is necessary to create a sound environment so that our reformers and explorers can bring their creativity into play without restrictions. This is the important guarantee for the smooth progress of reform in our country.

The seminar on Shanghai's cultural development strategy held that the 30th anniversary of the promulgation of the double hundred principle was unexpectedly lively, harmonious, and open. It was of profound significance. It has proved from one aspect that reform calls for flourishing theories, which in turn will give a push to the vigorous development of the reform. This is the historical meaning of the newly emerged "cultural fad" in our country.

CHINA DAILY ON HONGQI LITERARY THEORY DEBATE

HK180309 Beijing CHINA DAILY in English 18 Jul 86 p 4

[By Zhang Xiaogang]

[Text] Chinese literary criticism often do not mention the names of the persons being criticized "in order to save each other's 'face'," as some writers say, not without a little distaste.

When one literary criticism did mention a name, it took people by surprise. On April 16, the magazine RED FLAG, a party theoretical journal, ran an article signed by Chen Yong accusing Liu Zaifu, director of the institute of Literature of the Chinese Academy of Social Sciences, of deviating from Marxism.

Fortunately, however, this has not proved to be the signal for a new political campaign directed against academic freedom. Liu is continuing his theoretical pursuits and RED FLAG has run another criticism -- but this time it mentions Chen's name.

Liu Zaifu graduated from Xiamen University, Fujian Province in 1963 and is now in his 40s. His literary research in recent years has been widely read and he was elected director of his institute by his colleagues about a year ago.

Chen Yong distinguished himself as a literary theorist in the 1950's, but was then persecuted by the "anti-rightist" movement, according to RED FLAG. He then became a teacher in a northwestern province and is now a policy researcher for the Communist Party.

Liu Zaifu observed that studies of literary theories were recently moving from the studies of literature's relations with politics to the "aesthetic characteristics" of literature itself. Chen argued that the former was actually the internal factor of literature while the latter was of less importance.

"The essence of literature would be utterly incomprehensible" without probing into the writer's relations with politics and economics, ideological outlook and life itself, Chen said.

Liu attempted to distinguish "man in existence" from "man in practice," another unacceptable point to Chen, who attacked Liu for leaning towards either "mechanical materialism" or "subjective idealism."

Looking back on the experience of China's revolutionary literature, Liu tends to suggest that there is a need to re-examine the "basic theories, concepts, and ways of thinking." This Chen opposed strongly. He argued that all the basics of Chinese revolutionary literature have always remained Marxist, even during periods of crisis. They were "enriched and further developed under extremely difficult circumstances."

To conclude his article, Chen Yong fiercely attacked "some people" for trying to "discard marxism, even denigrate Marxism," under the pretext of "developing Marxism."

Liu's Response

After reading the criticism of his theories, Liu Zaifu told CHINA DAILY that, while he was pleased to see that theoretical debates were becoming livelier recently, he would continue to proceed with his theoretical research.

He also said that discussion about his studies of literature had long been going on in the academic journal run by his institute -- Research of Literature. It was purely academic, he added.

Not long after the publication of Chen Yong's article, a lively discussion began in the academic and literary circles calling for more freedom of creation and academic research in the light of the policy of "letting a hundred schools of thought contend."

Many articles written by decision-makers, policy researchers, and academicians in May to mark the formulation of the policy three decades ago stressed the need to separate to differing views.

RED FLAG also called a symposium on literary theories. At the meeting, the journal reported, some regarding Chen Yong's criticism of Liu Zaifu as "an important work." They said they had not read a great work like this "for quite a long time."

Reporting the meeting, which was attended by about 40 people, RED FLAG also indicated its disappointment that Liu Zaifu did not show an interest in participating in the debate in its journal, although he had been invited to do so.

The criticism of Chen Yong that RED FLAG has just published indicates that, except for the point of "man in existence" and "man in practice," the critic does not seem to share much common ground with Chen.

The author, Wang Chunguan, accuses Chen of "lacking adequate patience and enthusiasm for the new atmosphere in the theoretical study of literature and art," and of "starting from an anachronistic angle to view the realities."

As for culture, the author says, "how can the phrase 'reflections of politics and economics' generalize all its aspects?"

The author further adds that, to his surprise, Chen even went so far as to relate his own view of the situation of China's literary development to the "fate of Marxism in China," and "the fate of socialist literature and art in China." Wang says he does not think the work of a scholar like Liu Zaifu would be a "spiritual nuclear bomb" to finish off Marxism in China.

Wang Chunyuan also says: "If anybody tends to regard Marxism as a panacea, he is actually opposing science and supporting a myth. Marxism cannot be a panacea, because it is a science; and why should we insist that Marxism be regarded as a panacea in the study of literature and art when it is no panacea at all?"

ZHU HOUZE ON POLITICAL STRUCTURE REFORM

HK180211 Beijing RENMIN RIBAO in Chinese 15 Jul 86 p 4

[Report: "Zhu Houze Speaks at Theoretical Discussion Meeting on Reform of the Political Structure"]

[Text] The Theoretical Discussion Meeting on Reform of the Political Structure ended on 12 July at the Central Party School. During the 3-day discussion, the more than 100 participants aired their views.

At the meeting, Zhu Houze, head of the Propaganda Department of the CPC Central Committee, said that, at present, reform of the economic structure, reform of the political structure, and changes in ideology and culture coordinate and influence each other so that the overall reform develops in scope and intensity step by step. Therefore, we should also take a farther and deeper view in studying problems. He stressed that in carrying out reform of the political structure, we should conduct more investigation and study and make more analysis on the actual situation at present. We should find out what are the obstacles to the continued development of the reform of the economic structure caused by the political structure. We may also make some historical investigation on the realities of the present political life. We may, for example, review the practice and thinking of the reform of the political structure since the 3d Plenary Session of the 11th CPC Central Committee. We may also make comparisons with other socialist countries and Western countries. Zhu Houze put forward that while encouraging vigorous ways of thinking, we should also advocate a rigorous style of study. We should study and grasp various aspects and layers of the new situation and the new thing.

Many participants to the meeting pointed out that in discussing the reform of the political structure at present, we must first of all see that since the 3rd Plenary Session of the 11th CPC Central Committee, we have done a lot of work and made great achievements in the reform of the political structure. For example, the normalization of political life, the restoration and perfection of the principle of centralization and unification, the restoration and development of a united front, the building of the socialist legal system, the abolishment of the cadres' life tenure system, the division of power between the central authorities and a various localities, the creation of a harmonious atmosphere in the ideological and cultural fields, and so on. Seeing these can strengthen our confidence in reform and seriously summing up experience and drawing lessons are also helpful to further reforms.

In discussing the necessity and urgency of the reform of the political structure, many comrades held that, on the one hand, the reason for putting forward the reform of the political structure is that many bad practices of the structure are seriously obstructing the progress of the reform of the economic structure and the reform of the political structure reflects the inevitable demand of the reform of the economic structure as the latter develops in intensity. On the other hand, the reform of the political structure has its independent significance. This is particularly so in a country like ours in which remnants of feudalism exist to a great extent. The meeting chiefly discussed questions centering round the relations between the party and the government.

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SEMINAR VIEWS POLITICAL STRUCTURE REFORM

HK150759 Xian XIBEI XINXI DAOBAO in Chinese 30 Jun 86 p 1

[Report: "An Academic Seminar Points Out That Economic Reform Will Certainly Lead to Reform of the Political Structure"]

[Text] The youth academic seminar recently held in Beijing on "the reform and development of China's political structure" jointly sponsored by CHINA'S SOCIAL SCIENCES, the Youth Social Science Forum of the Chinese Academy of Social Sciences, and the Editorial Department of STUDY OF POLITICAL SCIENCE held that the reform of China's economic structure will inevitably lead to political, ideological, and cultural changes and development.

The seminar noted that fully ensuring socialist democracy is one of the major targets of the reform of China's political structure. As China is an economically underdeveloped country, the only way to reduce the gap between China and the economically developed countries as quickly as possible is to ensure and strengthen centralized control by the state over natural resources. While deliberating the reform of the political structure, this reality must be taken into account. "Democracy and centralism" are not contradictory. The opposite of "democracy" is "dictatorship," while the opposite of "centralism" is "decentralism." By fighting dictatorship, which runs counter to science, with democracy, we can effectively avoid decentralism and concentrate our forces to carry out the key construction projects. This is also the target of the reform of the political structure.

The seminar held that the lateral ties now established between enterprises can serve as a pivot combining the reform of the political structure with that of the economic structure. The conditions for carrying out competition on an equal and fair basis, effective legislation and judicature, and the relevant rights and duties required for promoting lateral ties between enterprises can only be attained by effecting a corresponding change in the political structure.

The seminar also held that the reform of the political structure is a complicated, sensitive issue. Instead of evading the issue with a passive attitude or letting it slide, we should gain the initiative and carry out the reform vigorously. Only in this way can we make the most of the opportune moment created by the economic development and reform of the economic structure and give impetus to social progress.

VICE MINISTER ON NEW CULTURAL LEADERSHIP'S POLICY

HK180517 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1250 GMT 16 Jul 86

[Report by Lin Hua. "The New Leading Body of China's Ministry of Culture Is Keen on Carrying Out Reform"]

[Text] Beijing, 16 Jul (ZHONGGUO XINWEN SHE) -- Following the complete reorganization of the old leading body of the Ministry of Culture, the average age of the members of the new leading body, headed by Wang Meng, is under 54.

The vigorous new leading body is keen on carrying out reform, concentrating on effectively leading a contingent of one million literature and art workers throughout the country, and striving for long-term stable development of China's literature and art work.

This is the main topic of the 7-day national meeting of the heads of cultural departments (bureaus). At a closing ceremony today, executive Vice Minister Gao Zhanxiang delivered a concluding report entitled "Cultural Leadership Work Should be Adapted to the New Situation in Reform and Opening Up."

He said: In his report at the opening ceremony, Minister Wang Meng stressed the question of the changing functions of leading bodies. This is a new problem we face in the new period. It is a new subject and the leaders of cultural departments should devote themselves to its study. The Ministry of Culture should concentrate its energy on investigating, studying, and solving practical problems.

Gao Zhanxiang particularly discussed the question of having a better sense of reform. He said: We should find a way out, acquire vitality, attract the audience, and attain better economic results through reform. For example, he said, during the past year the Shanghai People's Art Theater, led by dramatist Sha Yexin has put on eight dramas. Such operas as "In Search of Dauntless, Unyielding Man" run to capacity audiences because they are well received by the young audience. Putting on a song-and-dance duet at an open-air theater, the Jilin Folk Art Troupe sold as many as 11,000 tickets for a show. It was indeed a typical example of "10,000 people crowding round to watch the song-and-dance duet." Some spectators said: "I would rather miss a meal than the song-and-dance duet." These are all typical examples of the reform weeding out the old to bring forth the new. They show that the reform is an arduous path but it is also a path to prosperity and rejuvenation and a path leading from a place "where the mountains and the rivers end" to one "where the shade of willows and riotous flowers beckon."

Gao Zhanxiang expressly pointed out: Being a new thing, the reform neither has a precedent for us to go by nor a pattern for us to indiscriminately copy. Reform means making explorations and starting something new. For this reason, errors should be permissible. We should adopt a correct approach toward the errors in reform, characterized by "drawing lessons and being merciful." But there are also people who take advantage of the reform to engage in dishonest practices. They are not reformers but the targets of our attack.

Talking about the question of having a better sense of cultural strategy, Gao Zhanxiang said it is necessary to ponder and study cultural development strategy in order to promote the coordinated development of culture, politics, and economy. He said that after defining the objective of the state's economic development strategy, people will naturally take into consideration the question of cultural development strategy. Raising the modernization level of people is a strategic requirement for achieving socialist modernization. He said: Striving for a long-term stable development in China's literature and art work, as put forward by Wang Meng, is a strategic guiding principle. The word "stability" is directed against "reversals" and "stirring up winds." Stability does not mean marking time but forging head gradually and in harmony.

In concluding the report which he made on behalf of the new leading body of the Ministry of Culture, Gao Zhanxiang called on all people to have a better sense of service: He said: "Leadership means service and cadres are public servants." Literature and art are currently in the best historical period since the founding of the PRC. But there are still a lot of difficulties. It is hoped that leaders of cultural departments at all levels will forge ahead in the face of difficulties and open up a new situation in cultural and art work.

PRODUCT QUALITY, PLANT EFFICIENCY DRIVE LAUNCHED

OW161131 Beijing XINHUA in English 0958 GMT 16 Jul 86

[Text] Beijing, July 16 (XINHUA) -- The Chinese Government will use loans, wage incentives and other economic measures to stimulate industrial enterprises to improve the quality of their products and cut consumption of raw materials over the next five years.

According to a decision made public today, departments of the State Council, the country's highest governing body, will specify norms of three classes of enterprises -- special class, first class and second class.

It urges all of China's industrial enterprises, especially its larger ones, which are state-owned, to "draw up plans and take practical measures" to meet the standards.

The council decided that product quality, material consumption and overall economic efficiency will serve as "principal indexes" for assessing management of the country's industries.

Special-class industries will be expected to meet current international standards for product quality and raw material and energy consumption.

Those in the first class will be expected to meet international standards of the late 1970s or early 1980s for product quality and 1985's highest domestic standards for material consumption.

Second-class industries, which include enterprises producing high-quality goods for the domestic market, will be expected to meet 1985's highest domestic standards for material consumption.

ECONOMIC COMMISSION STRESSES QUALITY CONTROL

OW071040 Beijing Domestic Service in Mandarin 1100 GMT 3 Jul 86

[Text] The State Economic Commission on 3 July reiterated that a plant director should be resolutely removed from his or her post if the plant's products repeatedly fail to pass inspection and the plant director fails to attach importance to quality control and to seriously improve product quality. The Commission today issued Bulletin No 6 on state supervision and spot-checks of industrial product quality.

The bulletin indicates that the quality of products of some enterprises in our country remains very poor, and that one-third of the enterprises selected for spot-checks failed to pass inspection.

The responsible persons of the Bureau of Quality Supervision and the State Bureau of Standardization urged the leading cadres of all enterprises to attach importance to product quality and to adopt measures to improve quality, and not stop at merely paying lip service. They also hoped that the departments in charge of industrial enterprises refrain from overemphasizing output and output value when evaluating enterprise operations and from overburdening enterprises with excessive output quotas. Product quality should be the primary concern. An enterprise should not be rated as advanced if the quality of its products is substandard, no matter how good its other achievements.

COMMENTARY ON BUILDING SPIRITUAL CIVILIZATION

HK160447 Beijing GONGREN RIBAO in Chinese 3 Jul 86 p 1

[Commentator's article: "The Building of Spiritual Civilization Should Serve To Prepare the Way for the Development of the New Productive Forces"]

[Text] What guiding ideology should we actually have while building socialist spiritual civilization? And what should the building of socialist spiritual civilization serve? Our comrades cannot hold identical views on these questions and some of them do not even have a correct understanding of them. Therefore, it is now necessary to look into these questions so as to seek a consensus on them.

The building of socialist spiritual civilization should serve to prepare the way for the development of the new productive forces. The essential task of socialism is to develop the productive forces. As the superstructure, the building of spiritual civilization should trigger the development of the productive forces. If the building of spiritual civilization is divorced from the development of the productive forces, our society will fall into blindness. Therefore, the development of the productive forces is an important sign to indicate the results of the building of spiritual civilization. The basic tenets of Marxism tell us that the building of spiritual civilization and the building of material wealth take each other as conditions and objectives, and the building of spiritual civilization is restricted by a particular mode of production, so the building of spiritual civilization should focus on the development of the productive forces.

The building of socialist spiritual civilization should stimulate reform and the development of the socialist commodity economy. High development of the commodity economy constitutes an inseparable stage in social economic development. The building of spiritual civilization that we engage in is carried out precisely under such an historical condition. Therefore, we must strengthen education in reform so that the vast numbers of cadres and people will have a strong sense of reform and a strong sense of developing the commodity economy. Thereby we will be able to pave the way for the establishment of a new economic structure and become mentally prepared to take new steps forward in reform. Only by so doing will we be able to take the difficult task of building socialist spiritual civilization.

The building of socialist spiritual civilization must facilitate the development of a high degree of socialist democracy. The realization of the four modernizations needs high enthusiasm and initiative by the broad masses of the people. The key to the problem lies in the necessity of building a high degree of socialist democracy. Whenever we spoke of democracy, freedom, and humanitarianism in the past, we used to think that we should not use them because they belong to the bourgeoisie. This is a confused idea. As a matter of fact, the principles and policies of our party all reflect the will of the broad masses of the people. In order to develop a high degree of democracy and attain the ultimate goal of our party, we must now create an atmosphere of relaxation and harmony.

At present a small number of cadres and the masses have some confused ideas. They think the building of spiritual civilization, reform, and opening up, conflict with the development of the commodity economy, and that the emergence of some negative phenomena in our social life is due to reform, opening up, and the development of the commodity economy. It must be acknowledged that there are certain relations between the two, but the appearance of unhealthy tendencies and negative phenomena is not the inevitable income from reform and opening up. Some negative phenomena have their roots in the pernicious influence of thousands of years of feudal society, in the underdevelopment of the commodity economy, and in the incompleteness of reform. The vigorous development of the commodity economy will certainly get rid of these negative phenomena at last.

Making the guiding ideology of the building of spiritual civilization clear will help us understand how to do a good job of political and ideological work in the new historical period. The tasks, contents, methods and means of political and ideological work in the new historical period should adapt themselves to the situation in reform, and suit the needs of developing the commodity economy. Thus, we must have a strong sense of responsibility and dedication to probe into new ways of carrying out political and ideological work under the conditions of reform and opening up. This is the needs of the times and reform. All political and ideological workers should bravely assume the important task entrusted to them by the times.

CHINA DAILY COMMENTATOR ON NEED FOR RULE OF LAW

HK170945 Beijing CHINA DAILY in English 17 Jul 86 p 4

[By CHINA DAILY commentator]

[Text] At no time has the rule of law in this country been emphasized more than today. Educating the people, especially on respecting the rule of law, has become widespread. It is the same for government and Communist Party officials.

When Deng Xiaoping recently related efforts to improve the Communist Party's working methods to efforts to strengthen the rule of law, he stressed teaching officials to respect the law as the key issue; that is, educating them in the basics of the legal system, urging them to set a law-abiding example and to faithfully administer the law.

On the evening of July 1, the 65th anniversary of the founding of the Chinese Communist Party, more than 500 officials from the Party's central departments attended a lecture by the Minister of Justice, which ushered in the country's first legal training programme at such a high level.

Two days later, Hu Yaobang, General Secretary of the Party's Central Committee, attended the first of a series of talks on legal issues along with other leaders almost immediately after his return from Western Europe. The General Secretary and his comrades became "ordinary students," in Hu's own words, to a law professor from the Chinese People's University.

Two days after that, lawyers began their national conference in Beijing -- again the first-ever in the People's Republic. The meeting revealed that all provinces, municipalities and autonomous regions (except for Tibet) had formed local lawyers' associations. The All-China Lawyers' Association was established as a result of the national conference, prompting warm congratulations from the Communist Party and its leading figures. "Glory to the people's lawyers," the party said, while promising greater support for lawyers' work.

At the same time, cases of official corruption and breaches of law were exposed and brought to justice.

These signs of great progress in building the rule of law in a country with a long history of feudalism, when privileges existed side-by-side with the lack of a sense of civil responsibility.

In the absence of the rule of law, there is only the rule of man. What officials say goes. Social customs and habits dictate the way people live. Wherever there is an abuse of power or a violation of the law, there is doubtless an infringement of the rights of other people.

Having drawn many lessons from the bitter experience of the "Cultural Revolution," the national leadership is now doing its best to uphold the rule of law and establish it as a force that will leave no room for further political blunders. This is in dramatic contrast to the way of doing things 20 years ago.

The nation has come to understand that the lack of the rule of law would undermine its attempts to create a society characterized by a vigorous economy and high level of socialist democracy. The economic reforms would not be able to get very far, nor would there be effective checks on corruption and errors in political decision-making. This is why it is wise to push economic development on the one hand and secure a sound legal system on the other.

OFFICIAL URGES TAX DEPARTMENTS TO ENFORCE LAWS

OW071426 Beijing XINHUA in English 1416 GMT 7 Jul 86

[Text] Beijing, July 7 (XINHUA) -- A senior Chinese taxation official today urged taxation departments throughout the country to review and sort out the tax work concerning foreign enterprises and foreigners in China and correct practices which are at variance with tax laws and regulations.

Speaking at a national conference on taxation which opened here today, Jin Xin, director of the Taxation Bureau under the Ministry of Finance, stressed that taxation on foreign enterprises in China has a direct bearing on international economic relations and the implementation of the country's policy of opening to the outside world.

Therefore, he said, taxation departments across the country must strictly enforce the existing laws and regulations. Neither can they interpret nor modify these laws at will.

More and more Sino-foreign joint ventures, cooperatively-run enterprises, wholly foreign-owned enterprises as well as joint ventures engaged in the exploitation of offshore oil have been set up, he noted.

Effective measures must be taken to strengthen the administration of these enterprises, and regulations on tax collection from these enterprises should be worked out as soon as possible.

So far, he said, China has signed agreements with more than 10 countries on the avoidance of double taxation. He asked departments concerned to study carefully these agreements so as to ensure full understanding and correct implementation.

He also asked taxation officials dealing with foreign enterprises to study international taxation, international law, international economic relations and trade, foreign accounting as well as foreign languages.

China began in 1980 to establish its taxation system concerning foreign enterprises. There are now laws and regulations concerning the income taxes of Sino-foreign joint ventures, cooperatively-run enterprises and wholly foreign-owned enterprise, consolidated industrial and commercial tax, individual income tax, urban real estate tax and vehicle and vessel licence plate tax. Many preferential provisions including tax reduction and exemption have been offered.

COMMENTARY STRESSES NEED TO RESPECT TAX WORKERS

OW172214 Beijing Domestic Service in Mandarin 1100 GMT 17 Jul 86

[Station reporter's commentary: "Reinforce Tax Regulations, Respect the Work of Tax Personnel"]

[Text] A national conference on taxation, which ended in Beijing today, has once again stressed the important role of taxation in our economic life.

The industrial and commercial tax is a major means of collecting funds for construction, regulating production activities, and exercising macro-economic control. Before the profit delivery system was changed to tax payments, the industrial and commercial tax constituted about half of the country's financial revenues. Since the change, funds collected by tax departments at various levels comprise at least 80 percent of the national revenues. However, it should be noted that the importance of taxation is not understood by all comrades, and the work of tax personnel does not receive due respect in the community. A few enterprises still adopt an uncooperative attitude.

A handful of self-employed traders and craftsmen even try every conceivable way to obstruct tax officials from performing their duty. Incidents of beating tax officials and attacking tax offices are reported from time to time. All these merit keen attention by government departments at all levels.

As taxation is an indispensable economic lever for the modernization drive, all members of the community should take tax work seriously, support and respect the work of tax personnel, and truthfully observe tax regulations. It should be clear to all enterprises and institutions as well as individuals that paying tax is a legal obligation and that officials who collect taxes are protected by law. In order to fire the enthusiasm of the country's 360,000 tax personnel for promptly collecting the taxes in full amount, party committees and government at various levels should show concern and make things easier for tax personnel.

VICE FINANCE MINISTER SEEKS STRICTER TAX POLICY

OW172213 Beijing XINHUA Domestic Service in Chinese 1119 GMT 17 Jul 86

[By reporter Tian Chuan]

[Excerpts] Beijing, 17 Jul 86 (XINHUA) -- At the national conference on taxation which ended today, Tian Yinong, vice minister of finance, said: Right now, the excessive growth of state spending is a pressing problem. At present, we should pay full attention to curtailing outlays. However, curtailing outlays does not mean that we can relax our efforts to increase revenues.

Tian Yinong said: The revenues from tax departments at all levels during the first half of this year amounted to 92.2 billion yuan, marking an increase of 8.7 percent as compared with the same period last year. This is a significant achievement. However, there are still some weak links in our work. For example, tax collection is too lax. Tax evasion is a common practice. Revenues that should be paid to the state have not been collected in full. He called on all financial and tax revenue departments to take into consideration the overall situation in striking a balance between state revenues and expenditures. He said: We must not relax our efforts or fear difficulties in collecting taxes. We should work harder than ever before to collect all the taxes that should be collected.

In this regard, Tian Yinong called on all the departments concerned to do the following:

-- It is necessary to realize the current favorable situation and strengthen our confidence in fulfilling all the tasks.

-- It is essential to strengthen tax collection and collect all the taxes that should be collected. [passage omitted]

-- It is imperative to conduct a broad review of tax collection.

-- It is necessary to strictly control tax reductions or tax exemptions. To allow those enterprises with difficulties to reduce their tax payments is essential for invigorating our economy. However, we must not indiscriminately allow enterprises to reduce their tax payments. It is one-sided view to believe that in order to invigorate our economy, we must permit tax reductions and tax exemptions. It is hoped that various localities will check the rules which have been formulated on tax reductions and tax exemptions and put them in order.

LIAOWANG ON EXTRABUDGETARY CAPITAL CONSTRUCTION

HK170713 Beijing LIAOWANG in Chinese No 27, 7 Jul 86 p 6

[Article by Shi Baohua: "Resolutely Reduce and Control the Scale of Extrabudgetary Capital Construction"]

[Text] Following the strengthening and improvement of macroeconomic management, the scale of the state budgetary capital construction has gradually been brought under control. However, extrabudgetary capital construction is still growing rapidly. According to the statistics of relevant departments, the total amount of extrabudgetary capital construction in the first 5 months of this year increased by 15.9 percent over the corresponding period of last year, which itself registered a large increase over the previous year. This shows that if we only control the scale of extrabudgetary capital construction, the total scale of capital construction in the whole society will certainly continue to expand. The requirement set down in the Seventh 5-Year Plan on maintaining the scale of investment in fixed assets for this year and the next at approximately the level of 1985 will very probably fall through.

There are many reasons for the expansion of extrabudgetary capital construction. However, the most important reason is that some localities and departments fail to understand from the macroeconomic level the importance and urgency of controlling the scale of extrabudgetary capital construction. Some comrades hold that extrabudgetary construction projects "should not be so tightly controlled" and that "those having the ability should be allowed to develop the project." In truth, this is a misunderstanding. In the past few years, with the expansion of the decision-making power of the localities and enterprises and with the establishment and development of numerous economic forms, investment in extrabudgetary capital construction has been increasing substantially. At present its proportion of the nation's total investment in capital construction exceeds 60 percent. If this large proportion of investment should be allowed to expand continuously, it will inevitably intensify the shortages of social funds and materials, expand the contradiction between aggregate social supply and aggregate social demand, and affect the coordinated development of the national economy and the smooth implementation of economic policies. Moreover, investment in extrabudgetary capital construction is often restricted by the market economy. It seldom takes into consideration long-term and overall demands and is apt to make the mistake of carrying out unplanned or duplicated capital construction projects. If we do not strengthen management over the scale of extrabudgetary construction, it will inevitably exert an adverse influence on the ongoing readjustment of the project mix and industrial structure. Therefore, although extrabudgetary capital construction projects are not listed in the state budget or planning, the scale of these has a direct bearing on the overall situation of the national economy. In line with the principle of "acting according to the state's capability," we should make arrangements for extrabudgetary capital construction projects and strengthen macroeconomic management over them. At the moment, it is very necessary for the relevant departments to sort out the extrabudgetary capital construction projects now under way or planned for. With regard to those projects which are not needed macroeconomically or will not be needed in the near future and which require large investments, consume large amounts of materials, and yield poor economic results and social benefits, we should adopt various means such as persuasion, administrative intervention, and economic control to stop or delay their construction in order to maintain, as far as possible, the scale of extrabudgetary capital construction at a reasonable level.

The key to controlling the scale of extrabudgetary capital construction lies in satisfactorily managing and using extrabudgetary capital. In recent years the growth of extrabudgetary funds has played a positive role in invigorating the local and enterprise economy. However, what merits our attention is that many localities and enterprises are keen on using extrabudgetary funds in capital construction. For this reason, managing well the flow of extrabudgetary funds is crucial to controlling the scale of extrabudgetary capital construction. Only when we succeed in managing the "source" of funds can we control the "flow" of capital construction. The State Council recently issued a "circular on strengthening the management of extrabudgetary funds." The "circular" explicitly stipulates that it is necessary to bring extrabudgetary funds into line with the comprehensive financial credits plan and to carry out comprehensive balancing. It stresses the need to strictly control the use of extrabudgetary funds in extrabudgetary construction projects and to seek approval for extrabudgetary construction projects according to the procedure for capital construction projects. We should conscientiously carry out the spirit of the "circular" and manage well the source of extrabudgetary capital construction funds. Meanwhile, we should strengthen management over and strictly control extrabudgetary capital construction conducted in the form of raising funds.

In order to control the scale of extrabudgetary capital construction, it is also necessary to strictly enforce financial discipline. It should be noted that in striving for extrabudgetary capital construction projects, some localities and departments have adopted practices that do not conform to the financial system and even violate financial and economic discipline. Some units submit reports for technological transformation projects which are, in fact, capital construction projects. Some enterprises adopt various illegal practices such as indiscriminately squeezing out or apportioning costs, withholding profits that should be turned over to the state,, increasing without authorization the proportion of accumulation and retention of common funds by the enterprises,, and evading taxes to turn state revenue into extrabudgetary revenue in order to carry out extrabudgetary capital construction projects. Still others divert to capital construction projects circulating capital or other funds earmarked for special purposes. Financial, banking, and auditing departments at all levels should step up inspection and strengthen supervision over this and conscientiously rectify the problems that have been spotted. Those whose crimes are grave should be investigated and punished according to the law.

Controlling the scale of investment in fixed assets is an important component of macroeconomic management. Whether or not we can do this job satisfactorily has a direct bearing on whether or not we can smoothly carry out the economic reform and on whether or not the national economy can develop in a steady and balanced way. Leaders in all localities and enterprises should enhance their overall points of view and work in close coordination in order to do a good job of this important matter.

DENG XIAOPING'S SON CALLS ON YUNNAN FRONTIER GUARDS

HK160453 [Editorial Report] Beijing Domestic Television Service in Mandarin at 1315 GMT on 14 July, during its regular "Night News" program, shows an 1-minute film clip on "Deng Pufang, director in chief of the China Welfare Fund for the Handicapped, calling on PLA commanders and fighters on the front line of the frontier region in Yunnan recently."

The film clip shows Deng Pufang, in a wheelchair, reaching "the highest peak of Laoshan" with the assistance of several PLA soldiers; and arriving at an unidentified PLA forward position and shaking hands with several soldiers there. The film ends with shots of Deng visiting the Kunming General Hospital of the Chengdu Military Region and speaking with several "commanders and fighters who were wounded in action during the Laoshan-Zheyinshan campaign," in a ward of the hospital. The announcer states that Deng Pufang "urged that the wounded commanders and fighters just get better and do not worry, and encouraged them to get well soon and to make new contributions to the party and the people."

YU QIULI ADDRESSES MEETING ON ARMY REFORM

OW061044 Beijing XINHUA in English 1041 GMT 6 Jul 86

[Text] Beijing, July 6 (XINHUA) -- Soldiers should support the ongoing reform in various fields while carrying out the reform of the Army itself, said a senior Chinese Army leader.

Yu Qiuli, director of the General Political Department of the People's Liberation Army, told a meeting here that the Chinese Army has inaugurated important reforms in military training, political work, logistics, scientific research for national defense and military education. But, many important issues have yet to be probed.

He said that the reform of the Army, which is part of the nationwide reform program, aims at modernizing the Army and strengthening its combat capability.

The Army should learn the experiences of the rural and urban reform, but cannot transplant them, he noted.

Since the reform is a deep social change and something new, Yu added, problems may well arise in the process due to lack of experience. Therefore, it is necessary to educate the soldiers and help them have a proper understanding of the situation.

YANG DEZHI ON IMPROVING QUALITY OF SOLDIERS

HK170849 Beijing XINHUA Hong Kong Service in Chinese 0646 GMT 16 Jul 86

[Report: "Yang Dezhi Says That China Attaches Importance to Improving the Quality of Soldiers"]

[Text] Beijing, 16 Jul (XINHUA) -- In the course of its structural reform to streamline and reorganize itself, the Chinese Armed Forces attach importance to improving its the quality of its soldiers in order to lay a sound foundation for the modernization and regularization of Chinese forces.

Recently, the PLA General Staff Headquarters held an all-army conference on work related to soldiers to study the question of how to strive to do a good job of recruiting soldiers and improving the quality of soldiers in order to meet the needs of the new situation of the modernization of the Chinese forces.

Chief of General Staff Yang Dezhi said at the conference that doing the work related to soldier's welfare and improving the quality of soldiers is of great significance in improving the combat effectiveness of Chinese forces.

"Soldiers are the foundation of forces." Through streamlining army reorganization the number of Chinese soldiers has been reduced, but the requirements for the quality of soldiers have been heightened. Improving soldiers' quality is a basic task in the development of Chinese forces.

Chief of General Staff Yang pointed out that our country is very big and has very plentiful sources of soldiers, which make it entirely possible to ensure the quality of our soldiers. He called on the conscription departments at all levels to recruit soldiers in strict accordance with the requirements. We should encourage parents to send their children to become soldiers and youths to vie with one another to join the forces.

Over the past few years, China has carried out a reform in its conscription system to switch to the method of relying mainly on localities for sources of soldiers and heightened the requirements and qualifications for new soldiers. This has played an important role in ensuring the quality of soldiers. Many young people have given up the opportunity of being recruited in factories, and some have even given up relatively high wages and fine living conditions to voluntarily join the forces. According to statistics, the number of new soldiers sent last year by China's over 2,560 counties and cities and who came to join the forces on their own accounted for 89.3 percent of the total conscription quota. Of the new soldiers, quite a few had been awarded. Some had been model and advanced workers. New soldiers with an education level at and above junior middle school accounted for 96.3 percent of the total. After these new soldiers joined the forces, they studied diligently to pursue progress, observed discipline, and very quickly adapted to the requirements of the life of our modernized forces. Some fighters were sent to fight at the border front in Yunnan soon after joining the forces. Very many of them have displayed bravery and achieved merit in the fighting.

LI PENG AT SATELLITE COMMUNICATIONS CEREMONY

OW081608 Beijing XINHUA in English 1510 GMT 8 Jul 86

[Text] Beijing, July 8 (XINHUA) -- China's satellite communication network went into operation today providing telephone, telegram, television, radio and facsimile services.

"This is a great step forward in the modernization of China's communications system," Vice-Premier Li Peng said at an opening ceremony at Beijing's ground station. "Satellite communication can spread economic development throughout the country's vast territory and to many isolated regions."

The network uses transmission devices rented or bought from Intelsat, the international telecommunications earth satellite organization.

It consists of five ground stations in Beijing and four provincial or regional capitals: Urumqi, Xinjiang Uygur Autonomous Region; Hohhot, Inner Mongolia Autonomous Region; Lhasa, Tibetan Autonomous Region; and Guangzhou, Guangdong Province. The Guangzhou station will open later this year.

Altogether, the system will link Beijing with the northwest, north central, far west and southeast parts of the country.

China "should build more ground stations of all sizes over the next five years" to promote satellite communications, Li said.

Via the network, direct dial long-distance telephone, telegram and facsimile services are now available between Beijing and Urumqi, Hohhot and Lhasa.

Li noted that much of the network was built with imported equipment. But in the future, he said, "we must use equipment built in China to cut production costs and to develop our own satellite communications technology."

The network has also enabled the Beijing ground station to transmit nationwide programs of the central television station as well as mathematics teaching programs prepared by the State Education Commission.

Beginning January 1, the network will also carry an economic information program transmitted by the Beijing ground station, according to Yang Taifang, minister of posts and telecommunications.

GREATER ATTENTION TO AGRICULTURE URGED

HK161116 Beijing NONGMIN RIBAO in Chinese 3 Jul 86 p 1

[Commentator's article: "Solidify the Foundation of Agriculture, Raise the Status of Agriculture"]

[Text] The successes achieved in China's agriculture in recent years have attracted widespread attention. From 1979 to 1985, grain output increased annually at an average of over 30 billion jin, the total output value of agriculture increased at an average of over 10 percent a year, and the peasants' average per capita net income reached 400 yuan, around 300 percent of the 1978 figure, thus putting an end to the slow progress of the rural economy over the decades. However, we cannot neglect exposed or latent problems because of the favorable turn in agriculture. In 1985, grain output decreased by 50 million jin, a 7 percent drop from the previous year. Although it was still bumper harvest year and is not surprising and will never lead to a grain crisis, it sends out a warning: The foundation of agriculture must be solidified.

Let us make a rough analysis.

China has a population of 1 billion. Its arable land is decreasing and its population is increasing steadily. "In order to maintain the average per capita grain of 800 jin, the output of grain during the Seventh 5-Year Plan period should reach 900 billion jin, to say nothing of the future. This means that grain output in the next 5 years should increase at an average of 30 billion jin annually. This target, set from a high starting point, is more or less the same as that of the Sixth 5-Year Plan. The current situation is that the new factors for increasing output are limited, while those that adversely affect the continuous development of agriculture are numerous.

The system of contracted responsibility with payment linked to output implemented a few years ago released the constrained productive forces. [paragraph continues]

In the days to come, the responsibility system will still have vitality. However, its influential role over the old production relations will inevitably be weakened.

Regarding the conditions for production, the basic water conservancy facilities of some localities are not yet consolidated and some projects have been neglected for years. Owing to the requisitioning of land for construction purposes, the irrigated area newly increased every year cannot offset the decreasing area and the irrigated area still remains at the 1978 level. The aggregate power capacity of China's farm machines is 280 million horsepower, which mainly covers a remarkable increase in transport and small machines. However, the level of farm machinery has declined. In 1985, the area plowed by tractor dropped 15.9 percent from 1980 and the sown area dropped 19.2 percent. Due to the price increase and short supply of the means of production including diesel oil and chemical fertilizers which resulted in an increase of costs and a decrease of profits, some peasants carried out extensive cultivation, made less investment, and slackened their efforts in grain production because of the low exchange value of grain. Moreover, the impeded circulation channels and inferior quality of the labor forces engaged in agriculture are also factors leading to the decline of production. If we cannot put an end to this state of affairs, serious problems may arise within the next 3 to 5 years. In the course of industrialization, the agriculture of many countries declined. We should take this as a lesson.

Consolidation of the foundation of agriculture is related to the coordinated operation of the national economy as well as the success or failure of reform. As the rural areas are now carrying out the second stage of reform, we must vigorously develop commodity production, establish a fine market regulation system, and make the peasants prosperous as quickly as possible. If the question of grain is merely confined to feeding and clothing the people and if the production of grain develops slowly or even declines, it will be difficult to put an end to the situation of 800 million peasants depending on land for a living, to raise the commodity rate of farm products, to realize the objective of transferring 100 million peasants to nonagricultural trades by the end of the century, and to readjust the production setup. If the peasants' income cannot increase simultaneously with that of workers and if the gap between the two further widens, it will inevitably affect the ongoing urban reform. While carrying out urban reform, the cities should break with the "castle" economy and cater to the needs of the vast rural areas. The 800 million peasants constitute an extensive, latent consumption market. If the purchasing power of the 800 million peasants is low and their ability to buy manufactured goods is limited, the reproduction of industry will also be affected. Without the invigoration of agriculture, it would be impossible to invigorate industry.

Naturally, the solidification of the foundation of agriculture was not put forward under the state of public anxiety. It is not an outdated concept or the beaten track. Instead, it is a reunderstanding of the foundation of agriculture after setting forth a new objective from a higher stage. In the past, the stress of agricultural foundation was put on "taking grain as the key link." When the foundation of agriculture is stressed today, we should maintain the steady growth of agriculture, promote the all-round development of commodity production, and lay a foundation for the prosperity of the state and people. [paragraph continues]

Therefore, the solidification of the foundation of agriculture does not merely mean feeding the people. We should further eliminate the idea of small-scale peasant economy and the easily contented mentality of small farmers, solidify the foundation of agriculture by means of policies, science and technology, and investment and with an enterprising spirit, create a new situation of governments and trades at all levels and 800 million peasants attaching great importance to agriculture, and promote the development of agriculture to a new level.

DENG LIQUN TOURS JIANGXI; BRIEFED BY WAN SHAOFEN

OW131726 Nanchang Jiangxi Provincial Service in Mandarin 1000 GMT 12 Jul 86

[Excerpts] While inspecting Jiangxi, Deng Liqun, member of the CPC Central Committee's Secretariat, said: Our cadres and the broad masses of the people should be made to preserve and enhance the glorious traditions of the revolutionary period and to further exert themselves in intensifying the building of a spiritual civilization and promoting the building of a material civilization. In the same environment and locality, a sound state of mind leads to great achievements, while an unsound state of mind hampers work progress.

Comrade Deng Liqun inspected Jiangxi from 22 June to 11 July. Wan Shaofen, secretary of the provincial party committee, presided over a meeting of the provincial party committee's Standing Committee to deliver a work report to Comrade Deng Liqun. Liu Fangren, deputy secretary of the provincial party committee, and (Wang Taibhua), member of the provincial party committee, and (Wang Taihua), member of the provincial party committee's Standing Committee and head of the provincial party committee's Propaganda Department, accompanied Comrade Deng Liqun on his inspection tour.

Disregarding travel fatigue and braving the intense summer heat, Comrade Deng Liqun visited factories and rural areas during his inspection of Jiangxi, mingling with cadres, workers, and peasants at the grass-roots level in order to understand the people's conditions through cordial talks with them and through investigation and study. He traveled more than 2,000 km in 19 days, successively inspecting the seven cities and prefectures of Nanchang, Yingtan, Jingdezhen, Juijiang, Jian, Ganzhou, and Pingxiang, and 14 other counties and cities, including Xingguo and Ruijin.

Comrade Deng Liqun noted: Jiangxi's residents made major contributions both in the revolutionary war period and in peacetime construction. It is necessary to preserve and enhance the glorious traditions of the revolutionary period and to make dedicated efforts in bringing success to the socialist modernization drive.

While inspecting the CYL reclamation farm, Comrade Deng Liqun lauded the veteran CYL members who conducted strenuous pioneering work in the old days as people with communist ideas. [passage omitted]

During his inspection tour, Comrade Deng Liqun repeatedly stressed the need to effectively improve the quality of the younger generation and to vigorously step up ideological and and political work. [passage omitted]

Comrade Deng Liqun called on teachers, students, and employees at colleges and universities, secondary technical schools, classrooms, dormitories, and mess halls on several occasions, and sought the opinions of professors and experts. [passage omitted]

During his inspection tour, Comrade Deng Liqun made thorough investigations into the work of the party committees after enterprises had implemented the plant director responsibility system. He noted: Practice has born out the plant director responsibility system, showing its advantages to the operations of enterprises and its greater benefits to the work of the party committees of those enterprises. [passage omitted]

While inspecting southern Jiangxi and Jinggang Shan, old revolutionary base areas, Comrade Deng Liqun, in a show of deep concern for the people in old revolutionary base areas, visited villages and households to understand the people's suffering and to discuss ways to cure and eliminate poverty with the people. [passage omitted]

ULANHU ADDRESSES REGIONAL AUTONOMY LAW FORUM

OWO92153 Beijing XINHUA Domestic Service in Chinese 1302 GMT 9 Jul 86

[By reporter Chen Yan]

[Text] Beijing, 9 Jul (XINHUA) -- Regional autonomy for minority nationalities is an important political system and the law on such autonomy is one of the basic laws in China, said Vice President Ulanhu today at a forum attended by minority study groups to review the implementation of the law on regional autonomy for minorities. he said: To ensure earnest implementation of the law is a responsibility of not only autonomous regional governments but also state organs at all levels. While ordinary people should study this law, cadres should all the more do so. Leading cadres, in particular, should play an exemplary role in studying and enforcing the law.

Ulanhu said: In view of our inadequate legal system in the past, the government has, in recent years, called for efforts to promote construction and improve the legal system at the same time in order to ensure smooth progress in socialist construction. In areas inhabited by ethnic minorities, where the economy and culture are relatively backward, efforts should be made to develop production to enable the people to become well off, and to publicize and implement the Constitution and the autonomy law for improving the legal system. He said: After a law is drawn up, we must first have the people study and familiarize themselves with the law, then do things according to it, and finally improve it in the course of its implementation. It must be clearly pointed out that when a law is adopted, it has binding force and must be observed in all circumstances. It must not be changed at will.

Ulanhu said: It is wrong to regard the autonomy law as a matter concerning only areas inhabited by minorities. Higher government organs shoulder an important task of ensuring the autonomy law's implementation and the right of autonomous regional governments to exercise their autonomy. It is an unshirkable duty of higher government organs to strengthen the leadership over and step up assistance to autonomous regions of minority nationalities.

Ulanhu said: Higher government organs should respect and earnestly create the conditions for autonomous regional governments to exercise the right of autonomy prescribed in the Constitution and the autonomy law. Without the assistance and support of higher government authorities, it would be difficult for autonomous regional governments to exercise the right of autonomy and develop their economy and culture. Therefore, higher government authorities should pay close attention to autonomous regions of ethnic minorities and take the initiative to conduct fact-finding studies and investigations there in order to thoroughly understand the conditions and problems of the ethnic minorities and map out specific policies and effective measures to guide and help them in accordance with the actual situation there. So long as the whole nation takes concerted action, the autonomy law for minority nationalities adopted by the NPC with the collective wisdom of the people will surely be effectively enforced.

Ngapoi Ngawang Jigme, vice chairman of the NPC Standing Committee and chairman of the NPC Nationalities Committee, also spoke at the forum. He said: Since it formally came into force on 1 October 1984, the autonomy law has played a major role in promoting political, economic, and cultural construction of autonomous regions of minorities, and in enhancing the socialist relations of equality, unity, and mutual assistance among nationalities. In order to enforce the autonomy law in all fields, it is necessary to further work out details for rules and regulations concerning the law, primarily including regulations governing the autonomy for autonomous regions of minorities and rules for higher state organs to implement the autonomy law. He pointed out: Since the autonomy law was promulgated, all autonomous regions of minorities in the country have intensified the effort to formulate regulations governing the autonomy, and a number of multinationality provinces with autonomous counties and prefectures of minorities have also mapped out regulations for implementing the autonomy law, while State Council departments concerned have drawn up a few rules. All of these have facilitated the implementation of the autonomy law.

At the forum, members of the study groups of minority nationalities from various parts of the country reviewed achievements and shortcomings in implementing the autonomy law in their respective regions over the past nearly 2 years. They said that the promulgation and implementation of the autonomy law has given a strong impetus to the work in all fields. However, there are problems caused by officials of some localities and departments who have failed to understand the importance of the autonomy law and to do things according to the law. They called on all localities and, in particular, leading organs at all levels to pay keen attention to such problems so that the autonomy law will be more effectively enforced.

The forum was sponsored by the NPC Nationalities Committee. Yu Wen, vice chairman of the committee, chaired the forum. Officials from the United Front Work Department of the CPC Central Committee, the State Nationalities Affairs Commission, and other departments concerned attended the forum.

XIAMEN CURBS EXACTION OF CHARGES FROM JOINT VENTURES

HK161524 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0634 GMT 16 Jul 86

[Text] Xiamen, 16 Jul (ZHONGGUO XINWEN SHE) -- The question of exacting charges from Chinese-foreign joint ventures, cooperative enterprises, and foreign-owned enterprises, unacceptable to foreign businessmen, has attracted the attention of the Xiamen city government.

There are now 126 Chinese-foreign ventures, cooperative enterprises, and foreign-owned enterprises in the Xiamen special economic zone. These enterprises are discontent with the heavy charges exacted by certain departments under all sorts of pretexts. For example, the water and electric fees of these enterprises are not collected according to the actual amount consumed, but according to the caliber of waterpipes and load of transformers. These enterprises had to pay charges 100 percent higher than the local state-owned enterprises for installing a telephone set and 500 percent higher for monthly telephone fees. Moreover, there were also innumerable charges of every description.

Local government officials say that the exaction of charges has lead to the abnormality of reduction of taxes and increasing number of charges. It has offset the preferential treatment granted by the government to these enterprises. The question is that some responsible departments have defined the relevant laws and regulations promulgated by the state concerning Chinese-foreign joint ventures. Now this tendency must be curbed.

The Xiamen city government organized an investigation group not long ago to make an all-round investigation of the exaction of charges. The government called on various units to examine and readjust the unreasonable charges imposed on the Chinese-foreign ventures, cooperative enterprises, and foreign-owned enterprises, and adopted the following three measures: 1) If the unreasonable charges are made by the higher authorities, complaints must be made and exemption be requested. Unreasonable charges which are clear and obvious to all must be checked resolutely and a report should be submitted to the relevant departments. 2) The relevant companies and bureaus should check the various items and charges stipulated by Xiamen authorities and submit a report to the responsible departments for examination. The unreasonable charges must be canceled, the prices increased must be lowered, and the repeated items must be readjusted. 3) From now on, no department or responsible person has the right to levy charges on these enterprises. Newly-established charges and prices will be null and void without the approval of the city government.

It has been reported that the Xiamen city government has decided to abolish the collection of land royalties in the Huli industrial zone.

SHANDONG HOLDS FORUM TO IMPROVE SOCIAL ORDER

SK170930 Jian DAZHONG RIBAO in Chinese 2 Jul 86 p 1

[Text] The provincial forum on political and legal work sponsored by the provincial CPC Committee in Qingdao called for ceaselessly and deeply waging the struggle against serious criminals, strengthening overall improvement in social order, and striving to realize a stable turn for the better in social order on the basis of notably improving social order.

After 5 days in session the forum ended on 1 July. Attending the forum were secretaries of the city and prefectural CPC Committees in charge of the political and legal work, and responsible comrades of the political and legal commissions, public security departments, courts, procuratorates, judicial departments, security departments, and provincial-level departments concerned.

The forum held that the province has basically maintained a stable social order on the basis of notably improving the social order thanks to the fact that all localities have sustainedly and deeply strengthened the struggle against serious criminals and have implemented measures for overall improvement in social order since the beginning of this year. However, we must understand that the improvement of social order is not consolidated enough -- a considerable number of major and appalling cases still remain, criminal activities run rampant in some localities, and some ludicrous tendencies that have been stamped out in society for a long time are again arising.

The forum pointed out that since 1986 is the key year to grasp political and legal work, the CPC committees, the governments, and the political and legal departments should conscientiously grasp the work in the latter half of this year, and continue to wage the struggle against serious criminals, serious economic criminals in particular. We should first resolutely and second correctly deal blows to serious criminals. We should concentrate main efforts and superior forces on grasping major and appalling cases, greatly make up our minds to carefully carry out the work, smash all obstacles, and investigate and handle cases in accordance with the law.

The forum put forward that while strictly dealing blows to serious criminals, the masses in the urban and rural areas throughout the province should carry out the struggle against thieves and those who sabotage social order. The masses should be mobilized to exposed and inform against criminals or to urge them to surrender to the police. The criminals who surrender to the police within the fixed time shall be handled leniently in accordance with the law. The criminals who engage in criminal activities to the neglect of the against serious criminals should be firmly dealt with. Habitual offenders and recidivists should be firmly punished.

The forum stressed that to realize as stable turn for the better in social order, we must strengthen the overall improvement in social order; pay attention to strengthening the consolidation and construction of the grass-roots mass organizations of self-government, such as public security, mediation, and civil administrative organizations; deeply carry out education on popularizing the law; and make efforts to mobilize the masses to prevent the occurrence of criminal cases and to improve social order.

HENAN SECRETARY SPEAKS AT PARTY SCHOOL GRADUATION

HK170251 Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 16 Jul 86

[Text] On the afternoon of 16 July, the provincial Party School held this year's graduation ceremony. Secretary of the provincial CPC Committee Yang Xizong attended the ceremony. In connection with the province's actual conditions, he spoke on such issues as further emancipating our minds, carrying out reforms in an in-depth way, doing well in the province's economic work with everyone's coordination, working hard for accomplishing this year's tasks, strengthening unity, improving work and party style, and doing our work well.

Comrade Yang Xizong pointed out: In order to carry out reforms in an in-depth manner, we must continue to emancipate our minds and implement the central authorities' line, principles and policies in an innovative way. This is most important. To a certain extent and in certain areas, we should adopt flexible measures for continuously developing reforms in-depth way, while suiting our measures to actual conditions. When judging the flexibility of the measures and correctness of reforms, we must handle three issues well: First, they must not violate the spirit of the central authorities' general policy; second, they must help develop production, improve economic results, and increase social wealth so that both the state and people can benefit by the measures; and third, nobody is allowed to take advantage of office for personal gain.

On economic work, Comrade Yang Xizong pointed out: Our comrades must thoroughly understand the guiding ideology that the central task of the party is to do well in economic construction. The work in various areas must focus on the four modernizations and the development of economics, that there will be a common practice that the whole party engages in the four modernizations and economic work.

He also expounded profoundly on drawing lessons from Jiangsu and Zhejiang's experience in developing their economies by referring to the province's actual conditions.

On the issues of unity and party style, Comrade Yang Xizong said: The key to promoting unity among cadres rests with unity among members of the leading group. Leading cadres must act strictly in accordance with the party's principles. They should always take the overall situation into consideration, and should trust, respect, support and understand each other. They should handle issues of correcting party style well, hitting at crimes, as well as relations between the act of punishing someone for committing crimes and the act of carrying out reforms and developing the economy. Leadership at all levels must take the lead in supporting reforms and developing the economy, as well as playing an exemplary role in safeguarding the party's unity and correcting party style.

In his conclusion, Comrade Yang Xizong hoped that the graduating comrades would continue their studies while engaging in their work, be bold in emancipating their minds, stand in the forefront of reforms, and resolutely support and safeguard reforms. In the course of economic construction, they should give play to their roles and strive for greater achievements.

HU JINTAO AT GUIZHOU PREFECTURE LEADERS MEETING

HK151216 Guiyang Guizhou Provincial Service in Mandarin 2200 GMT 13 Jul 86

[Excerpts] With a view to summing up the work in the first half of this year, analyzing the situation, finding discrepancies, defining the orientation, working out measures, and further mobilizing all cadres and people of all nationalities throughout the province to unite as one, to work hard, and to strive to fulfill all quotas for the whole year, from 8 to 12 July, the Guizhou Provincial CPC Committee and provincial people's government held a meeting of the prefectural, autonomous prefectural, and city CPC Committee secretaries, commissioners, autonomous prefectural governors, and city mayors.

At the meeting, Comrade Wang Chaowen conveyed the important spirit of the central authorities [as heard]. Comrade Hu Jintao spoke about the situation in the work of the whole province in the first half of this year and the views on the work in the second half of the year. [words indistinct] Comrades Wang Chaowen and Ding Tingmo put forward demands on and made arrangements for the economic work and the work of party rectification and of straightening out party style.

The meeting held: Over the past 6 months, our province has made arrangements for and embarked on all aspects of work, centered on the implementation of Comrade Hu Yaobang's instructions while he was inspecting Guizhou and on the tasks put forward by the fifth plenary meeting of the fifth provincial CPC Committee. The overall situation can be summarized into two sentences: We have advanced in special difficulties. We have developed in persisting in reform. Specifically speaking, the work in the first half of the year roughly dealt with the following five aspects:

1. We unremittingly struggled against serious natural disasters, including drought, and strived for a good agricultural harvest.
2. With reform as the motive force, we began continuously changing the situation in the dropping of industrial production in the same period last year.
3. We made a new step forward in the work of helping the poor.
4. We scored marked achievements in straightening out party style.
5. We made new progress in building spiritual civilization.

In a word, after the concerted efforts of the people of all nationalities throughout the province, achievements in the building of two civilizations in the first half of this year were scored. [passage omitted]

The meeting emphatically put forward the following several problems to which attention should be paid in the work in the second half of the year:

1. We must carry forward the spirit of continuing to fight in spite of all setbacks and of pressing forward in the face of difficulties and trying in every possible way to fulfill the quotas for economic and social development for this year.
2. We must carry forward the realistic spirit and the spirit of blazing new trails and continue to develop reform in depth.

In reform of the economic structural throughout the province in the second half of this year, we must adhere to the spirit of consolidation, digestion, replenishment, and improvement and continue to grasp the following several points well.

First, we must grasp well the digestion and implementation of the existing policies of reform. At present, the focal points of the implementation and digestion of the existing policies of reform must be placed on the following two aspects:

1. It is necessary to seriously implement the enterprise system of the factory director assuming full responsibility, the system of economic contracted responsibilities, and various forms of the system of distribution according to work.

2. It is essential to seriously implement the provisions of the relevant policies on strengthening lateral economic ties.

Second, proceeding from realities, we must be bold in carrying out exploration. The pilot project of reform of the urban economic structure and the pilot project of reform of the county comprehensive structure have now progressed slowly and there are many problems. We must be determined, firmly grasp the good opportunity in the second half of the year, make concerted efforts, and strive to make a breakthrough. Reform of the political structure includes reform of the system of cadre personnel. We must also carry out new exploration.

Third, it is imperative to create a fine social and political environment for reform.
[passage omitted]

3. We must seriously take such measures as are suitable to local conditions and strengthen our province's stamina for economic development. The whole province and all places must correctly understand the factors that may restrict economic development during the Seventh 5-Year Plan period. We must get a clear picture of our province's strategy of economic development during the Seventh 5-Year Plan period so that we can reduce blindness in working out our annual plan in the future, use our limited financial and material resources where they are needed most, and obtain the best economic results.

4. We must pay attention to linking the exercise of leadership with grasping the grass-roots work and succeed in building the two civilizations. In view of this, giving play to the exemplary role of the leading organs must be integrated with strengthening the building of the grass-roots.

RURAL BEIJING PROMOTES PARTY RECTIFICATION

OW160955 Beijing XINHUA Domestic Service in Chinese 2313 GMT 15 Jul 86

[By reporter Yan Zhenguo]

[Text] Beijing, 16 Jul (XINHUA) -- Based on the actual situation among party members, rural Beijing has given first priority to ideological education at all stages of party rectification and achieved satisfactory results in rectifying party organizations.

Rural Beijing launched an experimental project of rectifying party organizations in groups and by stages in May 1985. Prior to carrying out the project, the guiding group for party rectification in rural Beijing conducted an investigation among party members and found that there were two major peculiarities among party members in rural Beijing: 74.6 percent of them were new party members who had joined the party after 1966, and 70.6 percent of the party members were not well educated, having received only junior middle school education at the most. As a result, their thinking, conduct, and organization could not meet the party's needs during the new period in many ways. Thus, the party organizations in rural Beijing made efforts to educate their members with a program that included party lessons, reports by heroes and models, exhibitions, exchanges of experience, home visits, heart-to-heart talks, and regular party activities.

First, they educated the party members on the party's objectives. They realized that reduced communist conviction and weak party spirit were conspicuous expressions of certain party members' low ideological and political consciousness, and that it was necessary to repudiate the influence of such notions as that "communism is but a vague illusion: and "it is a loss to be a party member." Thus, the guiding group organized the party members to study documents and discuss problems over and over again. The education helped the vast number of party members understand that serving the people wholeheartedly is the party's basic objective, and that their immediate obligation is to get involved in reform and actively guide the masses to work hard and become affluent.

Another measure the guiding group took was to educate the party members on the current situation and current policies. With reforms gradually proceeding in the rural areas, it became increasingly clear that certain party members were unable to keep pace with developments. Some party members erroneously believed that "cadres supervised and peasants worked for the sake of money," and some party members even considered reform a "retrogression." To solve this problem, the party organizations in rural Beijing, using such means as comparing the present and the past and studying theory, helped party members realize that reforms were bringing about an unprecedentedly excellent situation, that the situation showed that China was entering into a new stage with great historical strides, and that the party's current policies were in line with basic Marxist principles and China's actual situation. Consequently, the party members indicated that the study benefitted them a great deal and helped them distinguish right from wrong and understand the need to support reform and uphold policies.

Another important measure rural Beijing took to rectify the party organizations was education on party regulations and discipline. The guiding group held that ignorance of party regulations and lax party discipline were common problems among some party members, and that unless these problems were resolved they would affect the progress of reform and the gratifying situation.

Thus, they educated the party members on the importance of abiding by party regulations and enforcing party discipline, and guided them to study the regulations in the light of the actual situation. Meanwhile, they also combined the study of party regulations with rectification of misconduct within the party, thus making the study relevant and giving party members the opportunity to correct their mistaken concepts. The positive and negative examples on party discipline and regulations distributed in Mentougou District in the course of study educated many party members, prompting them to take the initiative in examining their misconduct of abusing power to seek personal gains.

NI ZHIFU MEETS WITH DPRK TRADE UNIONS DELEGATION

SK160631 Tianjin TIANJIN RIBAO in Chinese 30 Jun 86 p 1

[Text] Yesterday evening, Ni Zhifu, chairman of the All-China Federation of Trade unions, cordially met with the General Federation of Trade Unions of Korea delegation led by Kang Chong-pal, vice chairman of the General Federation of Trade Unions of Korea, at a guesthouse. He warmly welcomed the Korean guests' visit.

Amid a cordial and friendly atmosphere, the guests and the host jointly reviewed the great friendship and militant unity cemented with the blood of the Chinese and Korean peoples, and unanimously expressed their determination to further strengthen mutual exchange between the Chinese and Korean trade unions, and to develop friendly relations among the trade unions of the two countries. Also present on the occasion were Wang Shenxiang, secretary of the Secretariat of the all-China Federation of Trade Unions, and Pan Yiqing, chairman of the Tianjin Municipal Trade Union Council.

The Korean friends arrived in our municipality yesterday. The delegation visited the No 2 carpet plant, the ancient cultural street, and the Nanshi food street, and decided to leave Tianjin and return to Beijing today.

NI ZHIFU ATTENDS PARTY FOUNDING ANNIVERSARY RALLY

SK170213 Tianjin TIANJIN RIBAO Chinese 1 Jul 86 p 1

[Text] Yesterday evening, a literary and art soiree was held at the municipal No 1 Workers Cultural Palace to warmly celebrate the 65th anniversary of the founding of the CPC.

Leading comrades of the municipality, including Ni Zhifu, Wu Zhen, Nie Bichu, Zhnag Zaiwang, Yang Jingheng, Wang Shudong, Ji Zenghui, He Guomo, Chen Yiyi, Li Huifen, Bai Hua, Zhao Jun, Xu Ming, Fan Quan, Han Tianyao, Liu Jingeng, Xiao Yuan, Huang Difei, Wnag Yusheng, Yang Tianshou, Yu Fujing, and Zheng Wantong, and Tan Songping, a veteran comrade, and more than 2,000 representatives of party members and personages from all walks of life watched the performance.

Some professional and amateur art ensembles of Tianjin presented a chorus entitled "With the Communist Party There Would Be No New China," female solos entitled "In Memory of Yanan," and "My Motherland," as well as some colorful programs which included dancing, and a suite of songs and dance to warmly eulogize the great achievements of the CPC.

HEILONGJIANG SECRETARY AT MEETING ON PARTY STYLE

SK170923 Harbin Heilongjiang Provincial Service in Mandarin 0900 GMT 16 Jul 86

[Text] The provincial meeting to exchange experiences in correcting party style with the participation of leaders of all prefectures, cities, and provincial-level units was held in Harbin on 16 July. Attending the meeting were more than 3400 people, including secretaries of the prefectural and city CPC committees and discipline inspection commissions, heads of the prefectural and city party rectification offices, secretaries of the leading party groups of the provincial-level departments, commissions, general offices and bureaus, and heads of the discipline inspection groups of the provincial-level departments, commissions, general offices and bureaus.

At today's meeting, Xie Yong, deputy secretary of the provincial Discipline Inspection Commission, relayed the guidelines of the forum on discipline inspection work participated in by eight provinces, regions, and municipalities in north and northeast China sponsored by the Central Discipline Inspection Commission. (Zhao Da), head of the party rectification office under the provincial CPC Committee, relayed the guidelines of the meeting of the Central Party Rectification Guidance Committee held in Zhengzhou. Seven units, including the Harbin and Mudanjiang City CPC Committees, the leading party group of the provincial construction bank the Qiqihar, Qitaihe, and Shuangyashan City CPC Committees, and the provincial general publication office, made speeches to introduce their typical examples and experiences in strictly and earnestly correcting party style, consolidating the achievements in party rectification, investigating and handling major and appalling cases, correcting unhealthy practices of trade, promoting reform, and facilitating the progress in the work in all fields.

Attending today's meeting were leading comrades of the provincial CPC Committee, the provincial Advisory Commission, the provincial People's Congress, the provincial CPPCC Committee, and the provincial Discipline Inspection Commission, including Sun Weiben, Hou Jie, Li Genshen, Zhou Wenhua, Wang Zhao,, Zhang Lin, Lu Guang, and Wang Fei.

LIAONING COMPLETES TRANSFER OF ARMED FORCES DEPARTMENTS

SK130320 Shenyang LIAONING RIBAO in Chinese 29 Jun 86 p 1

[Excerpts] The rally to transfer People's Armed Forces departments to the local organizational systems, which concluded on 25 June, indicated that our province has satisfactorily accomplished the work of transferring people's armed forces departments to the local organizational system.

Since the province began to carry out the transfer work in accordance with the unified plan of the CPC Central Committee, the State Council, and the Central Military Commission, the People's Armed Forces departments at the provincial, city, and county (district) levels have successively held meetings on the transfer work, have set up leading groups in charge of the work, and have made specific arrangements for carrying out the work. The provincial military district organized and sent nine work groups to conduct investigations and study and to give instructions on the transfer work to the People's Armed Forces departments of various localities. With the concerted efforts of the party committees, governments, and Army units at all levels, the province has accomplished the transfer work in a fast and smooth manner and has scored high results in it on the premise that the localities, Army units, and People's Armed Forces departments were satisfied with the work. [passage omitted]

On 24 and 25 June, the provincial CPC Committee, the provincial government and the provincial military district jointly held a rally to transfer the People's Armed Forces departments to the local organizational system at the Beijing Soldiers' Club. Principal party, government, and army leaders from various counties (cities, districts, and enterprises) throughout the province and principal leaders of the People's Armed Forces departments attended the rally. Sun Qi, deputy secretary of the provincial CPC Committee; Zuo Kun, vice governor of the province; Wang Youhan [3769 2589 5060], commander of the provincial military district; and Liu Dongfan, political commissar of the provincial military district, delivered speeches at the rally. In their speeches they reviewed the major contributions and basic working experiences of the province's People's Armed Forces departments over the past 35 years and placed new expectations and demands on the local party committees, governments, and People's Armed Forces departments.

Respectively on behalf of the grass-roots party committees and the grass-roots People's Armed Forces departments, Lu Bo [4151 3134], secretary of the Shenhe District CPC Committee in Shenyang City, and Liu Wennian [0491 2429 1628], director of the Faku County People's Armed Forces Department, delivered speeches. Leaders of the Shenyang Military Region, including Commander Liu Jingsong, visited the cadres of the People's Armed Forces departments and the party, government, and Army leaders participating in the rally and also posed for a photo with them. Liu Jingsong encouraged the vast number of cadres of the People's Armed Forces departments to maintain and carry forward the fine traditions of the People's Armed Forces, to ceaselessly study the new situation and solve new problems, to strive to create a new situation in their work, and to selflessly dedicate themselves to the construction of the armed forces of the party and the people. Song Keda, political commissar of the Shenyang Military Region, read the letter of the party committee of the Shenyang Military Region to all comrades of the People's Armed Forces departments of the counties (cities, districts, and enterprises) in the three provinces of northeast China.

Also attending the rally were party, government, and Army leaders, including Zhu Dunfa, Li Zemin, Peng Xiangsong, Zhang Tiejun, Nan Qixiang and Gao Xiasheng.

HONG KONG-EEC TEXTILES AGREEMENT EXPECTED QUICKLY

HK170939 Hong Kong HONG KONG STANDARD in English 17 Jul 86 p 1

[By Cynthia Suen]

[Text] The second round of Hong Kong-European Community textiles negotiations -- originally scheduled for September -- will begin in Brussels today.

The fact that the talks are to take place ahead of the plan suggests the two sides intend to conclude an early agreement.

The Textiles Advisory Board (Textab), as well as the Secretary for Trade and Industry Eric Ho, flew to Brussels earlier this week to join the Hong Kong negotiation team -- further indicating that an agreement might be close at hand.

"It is likely that Hong Kong wants to settle the two major textiles agreements before the renewal of the Multi-Fibre Arrangement in order to give more security and certainty to the trade," said Mr Lawrence Mills, director-general of the Federation of Hong Kong Industries.

Two weeks ago, Hong Kong concluded a six-year bilateral textiles agreement with the United States. The terms were more restrictive than those in the previous agreement, but Hong Kong trade officials stressed that the signing of the agreement gave textiles exports more stability in the few years to come.

But while the U.S. has been taking a rather protectionist stand since last year, the EC this time is relatively more open.

It had earlier issued a mandate which promised no cutbacks on quotas already in the hands of exporting countries.

However, the growth rate allowed for Hong Kong, Taiwan, South Korea and Macao -- the so-called dominant suppliers -- was significantly lower than other lesser suppliers.

An annual growth rate of 0-1 percent was provided for eight sensitive items exported by the big four, whereas others were allowed a growth rate of 4-6 percent.

Automatic transfer of quotas between countries within the community was allowed for major suppliers from 1-6 percent over 4 years, but 2-12 percent was provided for other suppliers.

PRE-1949 BRITISH RAIL-BOND DEBT WILL REMAIN

HK170940 Hong Kong HONG KONG STANDARD in English 17 Jul 86 p 1

[By Eva To]

[Text] An early solution to China's pre-revolutionary British rail-bond debt looks unlikely despite agreement by London and Moscow on a mutual waiver of a similar debt yesterday in England.

China's British bonds -- sterling-denominated -- are estimated to be worth nearly 200 million sterling or U.S. \$300 million, including interest and mutual payments.

Like Moscow before its change of policy, Beijing refuses to recognise the debts incurred by governments before the communists took power in 1949. As a result, China is barred from making fresh issues in either of the world's greatest financial centres -- London or New York.

The urgency for an early solution to this historical problem has increased in recent years as China felt a mounting need for greater financial flexibility in Eurobonds since the start of the open door policy in 1979.

"For reasons of face, it is unlikely that China will follow Moscow's action too quickly despite of the urgent need for capital for its modernization programme," merchant bankers said yesterday.

This is in spite of top Chinese officials' acknowledgement that the funding effort of the country could be hampered by the nagging problem of the old rail-bond debts.

Though it is important to China to be able to tap the London and New York markets, the availability of other financial instruments makes it affordable for China to delay its decision over the rail-bond debt, another banker said.

"China's failure to meet its capital-market obligations does not necessarily make it a leper in the money market," he stressed.

The Bank of China succeeded in issuing a U.S. \$200 million floating-rate certificates of deposit -- a money-market instrument [CD] -- through its London office late last year. The Bank of England has not held its line at the CD issue.

Merchant bankers pointed out the difference between a capital-market instrument, which covers bonds, and a money-market instrument, which covers CDs and can be traded in the market and the Bank of England does not have a say in such matters.

They further pointed out that China also has leeway through issuing bonds denominated in U.S. dollars, which the British government probably has no legal power over, as it does with a sterling issue.

Banking sources said that the Bank of England's move in advising leading Eurobond houses not to join this recent CD issue of Bank of China has cause considerable resentment among the Eurobond community for interference in the supposedly-free market.

GUANGXI TO LIMIT FOREIGN INVESTMENT IN SERVICES

HK170942 Hong Kong SOUTH CHINA MORNING POST in English 17 Jul 86 BUSINESS POST Supplement p 2

[Text] China's southwest province of Guangxi is discouraging foreign investment in the hotel and servicing sector.

Instead, the province is putting emphasis on productive industries and mineral resources exploration.

The change in focus for attracting foreign investment was revealed recently by the deputy director of Guangxi's Foreign Economic Relations and Trade Commission, Mr Shen Yuefeng, during a brief stopover in Hong Kong.

Mr Shen said that there had been a concentration of investment in tourism in the past two years.

"It is likely that we will not be signing new hotel contracts this year," he said.

In fact, none of the 34 projects put up by the province for economic co-operation this year was related to the services sector.

Most called for foreign expertise in export-oriented industries and the exploration of mineral resources.

Examples are the production and processing of granite, marble and titanium dioxide.

Observers said it was not surprising that many Chinese provinces, including Guangxi and Fujian, should put a brake on hotel ventures after the "hotel boom" of the past two years.

Mr Shen said the large number of hotel agreements signed in the past stemmed from a real need for better accommodation facilities.

Guangxi, he said, had signed more than 250 agreements carrying a total pledged foreign investment of U.S. \$370 million between 1979 and last year.

Only one-third, or \$120 million, had so far been channelled into the province, but as half of the 250 agreements were signed last year, more ventures would materialise this year.

The province's pace of attracting new investment had slowed since January, and the figure for the first five months of this year amounted to only \$28 million.

Mr. Shen, who was returning from a visit to Singapore, said Guangxi would stage a large-scale trade fair and tourism promotion campaign in Singapore next month.

It is the first Chinese province to stage such a comprehensive sales campaign in Singapore.

The 10-day trade fair will be opened by Guangxi's deputy governor, Mr Wang Rongzhen, who will head a high-level official delegation to Singapore.

Guangxi hopes to capture a bigger share of the Southeast Asia export market through the Singapore promotion.

Last year, Southeast Asia as a whole imported only U.S. \$17 million worth of goods from Guangxi, or less than five percent of its total exports valued at \$372 million.

Mr Shen said Guangxi will also use the Singapore expo to negotiate with interested parties on the 34 projects in which the province is seeking foreign economic cooperation.

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